



**POLICY REGARDING THE
AVOIDANCE AND COMBATING OF
THE CONFLICTS OF INTEREST**

Company Code-ELSA POL-Met-1

Ed. 1 rev. 0

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APPROVED

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ENDORSED BY

**GENERAL DIRECTOR
Georgeta Corina Popescu**

**POLICY REGARDING THE AVOIDANCE AND COMBATING OF
THE CONFLICTS OF INTEREST**

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o.e. involved/recipients all

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1. PURPOSE

In accordance with the Code of Ethics and Professional Conduct, the Organization commits, through the ethics, sustainability and compliance department/officer to carry out its operations in terms of integrity. The purpose of the Policy regarding the avoidance and combating of the conflicts of interests is to protect the company against ethical breaches, and any other issues of non-compliance that could harm it reputation-wise, commercially, and financially or could lead to legal sanctions, reducing the Organization's prestige and profitability, on both short and long term.

2. SCOPE

This Policy is applicable to all Personnel of Electrica SA and its subsidiaries, in all the activities performed for or on behalf of the Organization.

The provisions of this Policy do not represent exemptions from the legal provisions in force and the Personnel is required to comply with applicable laws.

The provisions of this Policy do not cover procurement procedures, those being regulated by the dedicated Policy and procedure in force.

3. POLICY OBJECTIVES

The objectives of the Policy regarding the avoidance and combating of the conflicts of interest is to ensure carrying out the activity of the company with integrity, as well as protecting the company against ethical breaches, and any other issues of non-compliance that could harm it reputation-wise, commercially, and financially or could lead to legal sanctions, reducing the Organization's prestige and profitability, on both short and long term.

4. PRINCIPLES OF THE POLICY

4.1 Conflicts of interest and incompatibilities

In applying the provisions of the Code regarding the avoidance of conflicts of interest, the Organization's Personnel will monitor and avoid the following cases likely to represent a potential violation of the principles and rules of the Code:

4.1.1 The case when a person is called to participate in a decision-making processes (recruitment, evaluation, contracting¹) ("The decision maker") involving:

¹ Except for the contracting following a procurement procedure regulated by the dedicated legislation, the Policy code POL-ACH and the procedure code PO-ACZ-1 in force.

i) a person who is his husband/wife, relative or relative by affinity up to second-degree directly or indirectly, as member of the governance bodies (according to Companies Law no. 31/1990²) of a legal person (as shareholder, administrator, director etc.) or employee with managerial or coordination position within a legal person

ii) a natural or legal person with whom he/she had Labor/Assimilated Relations during the last 1 year;

iii) a legal person who had the Decision-maker as member of its governance bodies (according to Companies Law no. 31/1990) during the last 1 year.

4.1.2 Cases of direct or intermediate hierarchical relations between spouses, relatives or relatives by affinity up to second-degree

4.1.3 Participation in decision-making process after they reported receiving gifts out-valuing twice the limit allowed by the Policy regarding gifts, protocol expenses and prohibition of facilitation payments

4.1.4 Holding by the same person of two executive positions³ which, by their nature, do not allow plurality of offices or imply a relation of subordination between them that may generate conflicts of interest within the Organization

4.1.5. The case when a member of the Personnel has labor relations with natural and/or legal persons the organization has contractual relations with, other than those involving electricity/natural gas supply

4.1.6 The case when Personnel of the distribution subsidiaries, employed by operational entities which release the TCAs as well as other operational entities stated by means of the General Director has:

(i) labor relations or similar with natural and/ or legal persons which request release of TCAs or with the companies which perform connection works and the Organization has connection contracts with;

(ii) has kinship/affinity relationships up to the second-degree with Personnel from the companies which perform connection works and the Organization has connection contracts with;

4.1.7 Persons who held control positions within institutions outside the Organization (e.g.: CCR, ANRE, ANAF, ITM) and participated in audit/controlling missions the Organization was subject to cannot be employees of the Organization for 1 year after finishing the activity.

4.2 Political non-affiliation

4.2.1 It is not forbidden for the Organization's Personnel to sympathize or be part of legally constituted political parties, if their political activity do not affect professional performance or they do not make propaganda at work.

4.2.2 Personal participation in social and political activities, excepting participation to the activities of labor unions, is accepted only outside the working schedule, and only avoiding the use of any visual identity elements of the Organization which could relate it with those social or political activities.

4.2.3 The legal provisions in force regarding incompatibilities or leading positions within political parties and entities are strictly applied to the Coordination Personnel and the persons occupying Executive Positions inside the Organization.

4.2.4 The Organization prohibits the Personnel to make political propaganda at work, to use the resources of the Organization, of whatever nature, in supporting political parties, political entities or candidates, as well as to attend any event of political propaganda visibly using Electrica's visual identity elements so as to induce even indirectly, the idea of Organization's support.

² According to art. 1443 and art. 152 of the Companies Law no. 31/1990 administrators and directors (general and with mandate) of the companies have the obligation to notify the other directors and the auditors or temporary auditors if in a certain operation, he/she knows that his/her spouse, relatives or relatives by affinity hold a certain interest until fourth-degree included and not to take part in any deliberation regarding this operation.

³ In the meaning of art. 1.4 of this Policy the case that the person occupies both the position of director with mandate and the position of administrator within different entities within the Organization does not represent a conflict of interests, because the position of administrator is a non-executive position

4.2.5 It is forbidden using in any way the position held within the Organization with the purpose or in the interest of being elected in a public office as well as using in any way the resources provided by the Organization, the working time or other similar with the purpose or in the interest of being elected in a public office. If for being elected in a public office, the resources provided by the Organization, the working time or other similar could be in any way affected, since the public announcement of their nomination up until the validation of the election results, the person could ask either vacation, either unpaid leave, either suspension of the legal agreement with parties consent.

4.2.6 In case any member of the Personnel is elected for a public office, the labor agreement signed with the Organization is legally suspended according to art. 50 (d) of the Labor Code, for the entire period of exercising the mandate in public office, unless the law stipulates otherwise.

4.2.7 Any breach of the above-mentioned obligations is considered a misconduct (in case of labor agreements)/violation of contractual obligations (for any other agreement) and is sanctioned according to the law/the provisions of the agreement signed with the Organization, depending on the judicial nature of the relations with the Organization.

5. RULES OF ENFORCEMENT

5.1 Ensuring compliance

5.1.1 In the cases mentioned at point 2.6, the persons have the obligation to:

- (i) Immediately report the case;
- (ii) Choose one of the two positions within the permissible period, from the date of the occurrence of the situation, resigning from the second position, except for the case in which the labor agreement signed with the Organization is legally suspended, according to the law.
- (iii) Not to participate in any decision-making process until exercising an option; until the exercising of the option as well as after choosing in favor of the position within the Organization and until the termination of the incompatibility clause, participation in the decision making process will not be permitted

5.1.2 In the cases mentioned at point 5.1.2., the Policy regarding ethical career management provisions are applied

5.1.3 In the cases mentioned at point 5.1.4., the persons who find themselves in such cases have the obligation to:

- (i) Immediately report the situation to the HR department, which notifies the respective person regarding its options for clarifying or fixing the situation.
- (ii) Comply with the option communicated by the HR department in the required term.
- (iii) Not to participate in any decision making process until complying with the option communicated by the HR department.
- (iv) In the case of non-compliance within the term required by the notification, the HR department will initiate the disciplinary investigation or, as case may be, the procedure stipulated by the agreement signed with the Organization for agreements provisions breach (for any other agreement except the labor agreement)

5.1.4 In the cases specified under points 5.1.1. and 5.1.3:

- (i) The persons appointed to participate in decision making processes submit a statement, before the beginning of the process, stating that they do/do not find themselves in any situation specified in the Code and this Policy, describing the situation, if necessary. This statement will be filled in after taking

note of the parties' identity and will be filed in the folder containing the specific documentation for the decisional process in question.

(ii) If, during the process, the existence of any such case is revealed, the person involved immediately notifies the ethics and compliance department/ officer, makes an abstention declaration and asks to be replaced.

5.1.5 Decision-making without complying with the Code and the present Policy is considered misconduct (for the labor agreements)/violation of contractual obligations (for any other agreement) for the Personnel involved and is sanctioned according to the law/the provisions of the agreement signed with the Organization, depending on the legal nature of the relations with the Organization

5.1.6 Persons holding Executive Positions fills in annually statement of assets and interests according to law provisions in force and ANI⁴ regulations.

5.1.7 Coordination Personnel fills in annually:

(i) yearly statements, declaring on own responsibility whether: they do/do not find themselves in any situation specified in art. 5.1.2, 5.1.4 and 5.1.6 (For Distribution subsidiaries) and 5.1.7.

(ii) statements regarding the status of significant shareholder/ associate in other legal entities; the statement will be updated whenever the Personnel acquires the status of significant shareholder or changes occur regarding the quality of its significant shareholder

(iii) statements regarding the contracts concluded by the legal persons in which the Personnel has the capacity of significant shareholder/associate, directly or through interposed (including as subcontractor) with Electrica; the statement shall be submitted whenever such a situation occurs;

(iv) statements regarding or related to employment relationships (mandate contract, service contract, etc.) that the Personnel holds with any other legal persons, including those where he holds the shareholder or associate capacity;

5.1.8 The entire Personnel which falls under the cases specified in art. 5.1.5 and for the Distribution subsidiaries and in art. 5.1.6 will fill in yearly statement stating on their own responsibility whether: they do/do not find themselves in any situation specified in art. 5.1.5, i.e. for the Personnel from Distribution and in art. 5.1.6.

5.1.9 The statements will be updated and submitted in the original to the ethics and compliance department/officer, by the latest on June 1 of each year or whenever a relevant change in the personal situation occurs, by the Personnel specified under point 6.1.7.

5.1.10 If, following the analysis of the statements of interests, the ethics and compliance department/officer finds that the provisions of this Policy have been breached and/or that the statements referred to under point 6.1.7. are false, the Human Resources Division and the General Director will be informed.

5.1.11 If breaches of the provisions of this Policy are found after the adopted decisions have produced effects, the ethics and compliance department/officer informs the general director, proposing a committee (formed by representatives of each of: the legal department, the HR department, the ethics and compliance department/officer, and the department whose activity was affected by the decisions in question, as well as a representative of the employees) that analyses the impact of the decision and the measures for correcting the situation implemented according to the Organization's interests.

5.1.12 The ethics and compliance department/officer makes an annually analysis of the risks regarding the conflicts of interests and communicates it to Organization's Personnel holding Executive Positions.

5.1.13 The ethics and compliance department/officer will elaborate yearly a separate report or a section included in the yearly report regarding the situation of conflicts of interests during the previous year.

⁶ <https://www.integritate.eu/A.N.I/Legislație.aspx>



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5.2 REPORTING NON-COMPLIANCE

Electrica adopts and implements a whistleblowing Policy, based on principles outlined in the Code of Ethics and Professional Conduct. Any employee, customer, supplier, contractor and sub-contractor of the Organization who is related to its operations, may lodge under conditions that ensure the confidentiality of his identity, notifications or complaints on any action of an employee or a person acting on behalf of the Organization that would violate the law or internal rules on business ethics and conduct of the Organization, including the provisions of this Policy.

The notification of any breach from this Policy may be submitted according to the whistleblowing procedure, at: <http://www.electrica.ro/procedura-de-raportare-a-abaterilor-etice/>.

6. ANNEXES

Annex 1 – Statement of interest

Annex 2 - Definitions

Annex 1

STATEMENT

The undersigned _____ HR registration code _____, holding the position of _____ within _____,

- knowing the provisions of art. 326 of the Criminal Code regarding false statements and
- acknowledging

1. the provisions of art. 5.7 (2) of the Collective Labor Agreement, specifying that: The employees can carry out an independent activity, according to the law, only after working hours and only outside the company, without using the equipment and data owned by the company and without this leading to unfair competition; Violation of this provision leads to the disciplinary dismissal of the individual employment contract.”,
2. The provisions of the Code of Ethics which imposes abidance by the legislation related to the conflict of interests, which is defined as follows: "the situations defined by the law as well as the situations in which an employee acts in the sense of pursuing an interest different from the interest of the company, in order to have a personal gain „and that employees:

- *”must avoid any situation in which the personal interest could influence the objective performance of his/her duties to the detriment of the interests of the company;*
- *must avoid any direct or indirect involvement- for example through family members- in any kind of association or investment that influences or may influence the individual decisions of any employee, when acting in the interest of the Organization;*
- *any possible conflict of interests must be declared"*

I hereby state on my own responsibility that I am/am not in any of the following situations:

1. I have/I do not have paid/unpaid working relationships with natural and/or legal persons, with whom the Organization has contractual relations, other than those for the supply of electricity/natural gas.
2. I have/do not have labor relations or similar (mandate contract, service contract etc.) with any other legal persons, including those where he holds the shareholder or associate capacity;
3. I hold/do not hold the quality of significant shareholder/ associate within other legal entities;
4. The legal entities in which I have the capacity of significant shareholder/ associate, concluded/did not conclude contracts directly or by intermediaries (including as subcontractor) with Electrica;
5. I am/am not in direct hierarchical relationships or through any intermediary with my spouse, relatives⁵ or relatives by affinity⁶ up to second-degree.

⁷ Kinship – (1) natural - is the connection based on the parentage of a person from another or that of several people having a common ancestor; (2) civil– is the connection that results from the adoption completed as per the law. Kinship is in “straight-line” in case of the parentage of a person from another, and can be ascending or descending. Kinship is in “side-line” when several people have a common ancestor. The degree of kinship is established as follows: a) “straight-line” considering the number of births, thus, children and parents are first-degree relatives, nephews and grandparents are second-degree relatives; b) “side-line” considering the number of births, coming up from one common ancestor and down to the other relative, thus, the siblings are second-degree relatives, uncle or aunt and nephew, of third-degree, cousins, of fourth-degree.

⁸ Affinity - the relationship between a spouse and the relatives of the other spouse. The relatives of the spouse are in the same line and the same degree the relatives by affinity of the other spouse.



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6. I hold/do not hold two executive positions⁷ which, by their nature, do not allow the plurality of offices or require a relationship of subordination between them that generates conflict of interest, within the Organization.
7. I am (am not) in a conflict of interests with the interests of the Organization, as defined in art. 4.1.6 of the Code of Ethics.
8. I held/I did not hold in the last 12 months before occupying the position within the Organization, positions with control responsibilities within institutions outside the Organization (e.g.: CCR, ANRE, ANAF, ITM) and I participated/I did not participate in control missions regarding the Organization.

I undertake that I shall immediately bring to the attention of the Human Resources Division any change as per the meaning of the present declaration, but not later than 5 days from the date on which the change occurred.

Date

Signature

⁹ In the meaning of this statement, the situation in which a person occupies both the position of director with mandate and the position of administrator within different entities within the Organization does not represent a conflict of interests, because the position of administrator is a non-executive position

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ANNEX 2 - DEFINITIONS

Affinity – the connection between the spouse and the relatives of the other spouse; the spouse's relatives hold in the same line and to the same degree, relatives by affinity to the other one.

Significant shareholder/associate – within the meaning of this Policy, a significant shareholder is the person holding a minimum of 10% of the share capital of the corporate body.

Conflict of interest - the situation in which the organization's Personnel has a direct or indirect⁸ personal interest, contrary to the interest of organization, which affects or can affect the objectivity and impartiality in decision making or timely fulfilment of their duties during the job performance.

Code - Code of Ethics and Professional Conduct

Executive positions - positions occupied by persons working within or on behalf of the Organization, with decisional power and/or coordinating and controlling an activity, entrusted directly by the Board of Directors, through a contract of mandate.

Personal interest – any material advantage or of another kind⁹, pursued or obtained directly or indirectly by the Organization's Personnel, for themselves or for others, by using their reputation, influence, facilities, relations, information they have access to, as a result of performing their duties.

Incompatibility – interdiction (specified by law) to concurrently exercise two functions, responsibilities, professions or duties which, by their nature, are contradictory, and make a person unable to exercise or occupy them at the same time.

Organization – the ensemble of Electrica S.A. structures, its subsidiaries, and other entities inside the group, with legal personality.


Business partners – all the private individuals and legal entities the Organization maintains or initiates a business relationship with, including institutions or state authorities whose decisions can influence the Organization's operations.

Personnel – The management, employees and any other persons working within or on behalf of the Organization, with or without decisional power, paid or not, irrespective of the legal form of the agreement they have with Electrica S.A, its subsidiaries and other entities, with legal personality, inside the group.

Coordination Personnel – managers and any other persons working within or on behalf of the Organization, with decisional power and/or coordinating and controlling an activity, according to the

⁸ For the purpose of this Policy, the case when, for example, a director with a mandate within the Organization is also a director in a company providing services outside the Organization that is to conclude a contract with the Organization represents a conflict of interest situation, and the respective director on a mandate must declare it and abstain from any decision-making process regarding the respective company providing services (offer assessment, awarding of contracts, signing the services acceptance protocol, confirmation of invoiced services, etc.).

⁹ For the purpose of this Policy, a benefit of another nature could be a reputational benefit, for example: a director with mandate within the Organization is also president of a non-profit organization that applies to obtain financing from the Organization is a conflict of interest situation, and the respective director with mandate must declare it and abstain from any decision-making process. regarding the respective financing.

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organizational chart of the Organization or other internal documents, paid or not, no matter the legal form of the agreement they have with entities inside the Organization.

Kinship – (1) natural - is the connection based on the origin of a person from another or that of several people having a common ancestor; (2) civil – is the connection that results from the adoption completed as per the law. Kinship is in “straight-line” in case of the parentage of a person from another, and can be ascending or descending. Kinship is in “side-line” when several people have a common ancestor. The degree of kinship is established as follows: a) “straight-line” considering the number of births, thus, children and parents are first-degree relatives, nephews and grandparents are second-degree relatives; b) “side-line” considering the number of births, coming up from one common ancestor and down to the other relative, thus, the siblings are second-degree relatives, uncle or aunt and nephew, of third-degree, cousins, of fourth-degree.

Labor/Assimilated Relations – relations governed by a contract [such as labor contract, mandate contract, services contract, etc.] concluded in its own name by a Decision-maker and the natural or legal person subject to decision, generating a proven personal benefit for the Decision-maker.

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