



DRAFT

LETTER OF EXPECTATIONS

**BY WHICH THE SHAREHOLDERS' DESIDERATUMS ON CNTEE
TRANSELECTRICA SA AND ITS SUPERVISORY BOARD AND
DIRECTORATE'S PERFORMANCE ARE ESTABLISHED FOR A
PERIOD OF 4 YEARS**

The Romanian State by the Ministry of Economy, as majority shareholder and public supervisory authority, through its corporate governance structure, has drawn up this letter that sets out the shareholders' expectations regarding the performance of CNTEE Transelectrica SA and its administrative and management bodies, for a period of 4 years. These must be considered in a context where the state through the Ministry of Economy desires the continuous improvement of the performance and governance of public enterprises in its portfolio, as well as the establishment of a cooperative relationship based on mutual trust, observing the principles of transparency, accountability, economic efficiency and profitability of the company.

This document has been drafted under the provisions of OUG 109/2011 on the corporate governance of public enterprises, modified and approved by Law 11/2016 and of the Methodological Norms for applying OUG 109/2011, with later amendments and additions, approved by HG 722/2016.

I. Summary of the strategic context in which CNTEE Transelectrica SA operates

1.1 Presentation of the company

CNTEE Transelectrica SA is a company of national and strategic interest with 58.69 % state capital, under the authority of the Ministry of Economy, being the transmission – system operator in Romania, with a key role on the Romanian power market. CNTEE Transelectrica SA's shares are listed on the Bucharest Stock Exchange.

The company's subscribed share capital is 733,031,420 lei, fully paid up.

The company manages and operates the electricity transmission system of Romania and ensures the electricity exchanges with the attached countries, as ENTSO-E¹ member (European Network of Transmission System Operators for Electricity) and is responsible for electricity transmission, the operation of the system and the power market, as well as the security of the National Power System (SEN). It also represents the main

¹ Established by unifying the Transmission System Operators associations in Europe (UCTE, ETSO, NORDEL, BALTSO, UKTSOA, ATSOI), ENTSO-E appeared as a requirement of the Energy Legislative Package III (Directive no. 72/2009, Regulation no. 713/2009 and Regulation no. 714/2009), in order to strengthen the cooperation and coordination between the European Transmission System Operators (43 companies from 36 countries) to ensure the safe operation and within quality parameters of the synchronously interconnected power systems, to manage the efficient and transparent access to cross-border transmission grids, to integrate power markets at regional and, later, at European level (IEM) and to ensure a coordinated and efficient future-oriented planning of the power transmission system within the community, respecting the environmental objectives.



connection between electricity supply and demand, permanently balancing power generation with demand.

CNTEE Transelectrica SA has 5 subsidiaries, one of which, namely Icemenerg Service went bankrupt. The company Electricity Market Operator OPCOM SA was established under HG 627/2000, as subsidiary, CNTEE Transelectrica SA being its sole shareholder. The company's mission is to ensure an organised framework for conducting electricity commercial transactions. The company for RET Maintenance Services, SMART SA, was set up by reorganising CNTEE Transelectrica SA, as a wholly-owned subsidiary, according to HG 710/2001. SMART SA's activity object is performing revisions and repairs for the primary and secondary equipments of electrical grids, measurements and remedial of incidents from electrical installations. Subsidiary Co. FORMENERG SA's activity object is training personnel in the power sector. FORMENERG SA was established on April 1, 2002 as a wholly owned-subsubsidiary of CNTEE Transelectrica SA. FORMENERG SA's main income source is represented by the services provided to CNTEE Transelectrica SA. The company TELETRANS SA is a subsidiary with the following main activity object: the provision of communications and IT services for the management of the power transmission grids.

One of the major challenges of the next period, in the context of applying this field's Community legislation, is the implementation of the European network codes (8 codes with regulation – legislation status, directly applicable at national level), complex documents that regulate operation aspects of the interconnected power systems at pan-European level and aspects of harmonisation and integration of national power markets in the single European power market, with implementation periods between 18 months and 6 years. Within ENTSO-E structures, CNTEE Transelectrica SA is actively involved in the coordinated implementation of these regulations at regional and pan-European level.

Since the beginning of the liberalisation process (2000 - the separation of monopolistic activities from the commercial ones), OPCOM (the electricity market operator in Romania, subsidiary of CNTEE Transelectrica SA), manages a daily market. The market operator provides the reference price and the competitive, transparent, non-discriminatory access to electricity. In 2005, new spot trading mechanisms (the day-ahead market) were launched at OPCOM, enabling a bilateral sale-purchase bidding, so far ensuring the best liquidity in Eastern Europe. In the same year, at OPCOM, a trading platform was created that provides public tenders (PCCB – Centralised Market of Bilateral Contracts) for physical forward contracts. Since 2007, electronic tenders have been designed (PCCB – NC, Centralised Market of Bilateral Contracts – Continuous Negotiation) for 1 MW weekly, monthly, quarterly, annual, for peak, off-peak and gap contracts in order to increase the performance of this platform. Since 2008, OPCOM has been providing the counterparty service on the Day-Ahead Market.

The large volume of RET installations (Electricity Transmission Grid) requires refurbishment/modernisation and major maintenance works, justifies an increased investment and financial effort, another reason being maintaining the quality standards imposed by the technical regulations and the existing standards, namely by the interconnected operation with the European system ENTSO-E. In order to establish the priority order of the refurbishment/modernisation and major maintenance actions, an analysis was performed based on the following criteria: the technical state (the installations' age) and their importance. The investments made so far in the RET have led to the development of a dispatcher management infrastructure and to the power market operation (optical fiber network, EMS – SCADA system, the tele-metering system of electricity traded on the wholesale market). The RET development plan for the period 2016-2025 aims to modernise the grid by performing modernisation and refurbishment works of RET's electrical substations, building new transmission Power Lines to ensure the increase of the power transmission capacity, the closure of the 400 kV ring, increase of cross-border power exchanges by building new interconnection Power Lines.



1.2 Mission and objectives resulting from the activity field in which the company operates

1.2.1 Mission

CNTEE Transelectrica SA contributes to the proper operation of the power market, ensuring a non-discriminatory treatment of market participants. Also, the company contributes to the development of the internal and interconnection power transmission grid and, the implementation of the national sustainable development policy, acting to support the integration of power generation based on renewable sources and the limitation of greenhouse gas emissions.

CNTEE Transelectrica SA's mission is defined by the Law 123/2012 on electricity and natural gas with later amendments and additions, and detailed by the Conditions associated with Licence 161/2000 for power transmission and the provision of the system services - Revision 2, issued by the National Energy Regulatory Authority (ANRE).

CNTEE Transelectrica SA has the **mission** to:

- Perform the public power transmission service for all the users of the power transmission grid, in non-discriminatory conditions, ensuring regulated access to any applicant who meets the legal requirements, in compliance with the conditions and performance provided by the regulations in force;
- Perform the system service in non-discriminatory conditions for all the users of the National Power System (SEN) in order to maintain the operational safety and power quality according to the rules in force;
- Provide maintenance, modernisation, refurbishment, sustainable development and operation of the power transmission grids, the development of telecommunications networks and systems, data acquisition, monitoring, control, automation and protection in order to ensure the stability and the safe operation of SEN in conditions of high economic efficiency;
- Provide unregulated activities and services on the competitive market, activities that are not covered by ANRE (when setting the transmission tariff), activities carried out within the company, for the more efficient use of the existing human and material resources and in order to draw additional revenues, others than those strictly related to its main activity object.

The mission is completed under the effect of the legislation on power and power policies of Romania and the European Union, transposed practice by applying the provisions of the third legislative package that emphasizes the development of regional power markets, the efficient development and operation of interconnection capacities, in order to establish, in the future, the single power market in the European Union; CNTEE Transelectrica SA's mission is also regulated by the primary national legislative framework (company law, the regulations regarding the capital market, the law on electricity and natural gas, the law on the legal regime of the state's public property etc.) as well as by the secondary legislative framework, issued by ANRE. The company's medium and long term commitment is to fulfill, in an exemplary and responsible way, the public service mission, based on a modern and efficient system of infrastructures, both transmission, dispatch and support, integrating the latest available technologies. (Smart Grid, critical infrastructure protection etc.).



1.2.2 General objectives

Taking into account its national company capacity, with sustainable activities as regards social responsibilities towards the communities it is in contact with and environment protection, CNTEE Transelectrica SA has as general objectives the emphasis on continuous value increase for shareholders, with predictable profitable affairs at the upper limit of the values allowed by regulations for the core activities and, respectively, according to the potential and risks related to other complementary, unregulated affairs.

Opting for the provision of high-quality and valuable services CNTEE Transelectrica SA also aims to be one of the transmission and system service providers operating under high-quality technical and safety conditions at European level.

1.2.3 CNTEE Transelectrica SA's main objectives are:

- Providing electricity transmission and system services in line with the clients' requirements and expectations and the performance standards defined in the regulations and contracts;
- Optimising RET infrastructure operation to ensure the quality of transmitted power according to the ENTSO-E and RET Technical Code requirements, limiting the negative impact on the environment at admissible level in Europe;
- Providing the participants' access to RET, as a support of the wholesale electricity market, in a transparent, equidistant and non-discriminatory way;
- RET development and modernisation according to the users' needs;
- Supporting the development and diversification of the internal and regional electricity market for the integration in the European market;
- The major contribution to ensuring the sustainable development of the national economy;
- Developing energy markets as required by the European Union regulations 2015/1222, 2016/1719 and 2017/2195 whereby Member States are obliged to implement these new guidelines on interconnection capacity allocation, congestion management, balancing market and balancing capacities in a coordinated way at pan-European and regional level directly through the Transport – System Operator (OTS) and the Nominated Electricity Market Operators (OPEED) together with the national regulatory authorities.



- Selecting and promoting human resources on competence criteria, motivating and training them, and ensuring the occupational health and safety conditions;
- Increasing the company's credibility, as a reliable and long-term partner for investors, participants in the power market, social partners and for the whole Romanian society;
- Respecting and promoting the interests of the company's shareholders and other stakeholders;
- Providing a security level of tangible and intangible assets, according to the requirements and threats regarding SEN operation;
- Protecting the national and European critical infrastructure under the management of CNTEE Transelectrica SA;
- By the continuous commitment to professional excellence and constituting a performance culture based on procedures, recognition of individual and team contribution, CNTEE Transelectrica SA provides technical expertise at the highest level in SEN in order to achieve the proposed objectives.

1.3 Abstract of governmental strategy in the domain of Company activity, including the state's mid- and long-term sectorial and fiscal-budgetary objectives

Europe-wide the energy sector is undergoing a deep changing process. The main change drivers come from the need to constitute a competitive European economy outwardly, able to compete with the great traditional economies but also with those found under accelerated growth (China, India), while being as little as possible dependent on external energy sources and stepping in the vanguard of worldwide technological progress with low environmental impact. Such concerns can be found among the priorities of the highest level European agenda in the last decade.

European energy and environmental policies, instrumented in the successive legislative packages approved in all Europe are centred on increasing the supply safety of electricity consumption, de-carbonising the generation mix by integrating renewable sources and implementing storage solutions. Setting up the single electricity market in Europe as catalysing platform with a view to reach such objectives is one of the main pillars of Europe's energy strategy.

Emphasis is placed on the transition from a prevalently national evolution and development model for the energy sector to a Europe-wide integrated and coordinated one, which should provide uniform continental development while also enabling adaptation to national specificities and targeting the legitimate interests of European states. This transition from the national to the continental model provides a regional level which means an intermediate stage necessary in order to reach the final objective of trans-European integration.

In this context CNTEE Transelectrica SA, one of the most important players of Romanian economy with strategic role in providing electricity to national economy is one of European Union's transmission system operators summoned to implement the measures aiming at such major change. Consequently the changes which CNTEE Transelectrica SA should participate into are great and aim at multiple complex areas, beginning with changing the organisational culture to changing the Electricity Transmission Network; from changing the legislative framework to introducing the best-in-class innovative technologies, from a local to a regional and then a European market.

1.4 CNTEE Transelectrica SA - regional player

Electricity transmission networks play a crucial role in reaching European desiderata especially regarding the safety of consumers' supply, the establishment of the joint electricity market and integration of renewable sources. On the one side transmission networks have an important task in reaching such objectives since the



interconnectivity of electric power systems from European states will increase (as support factor for higher supply safety and greater possibilities of cross-border electricity transactions).

In Europe the development of the continental electricity transmission infrastructure is planned in integrated coordinated manner (ENTSO-E: 10 years' European masterplan of the transmission network) while the main corridors and priority projects are identified (EC: establishing the list with projects of community interest - PCI) as well as stimulative mechanisms to expedite their implementation (single desk nation-wide to obtain endorsements, such as for instance the Connecting Europe Facility instrument).

On the other side one can notice the central part played by transmission operators in their joint efforts to elaborate Europe-wide network codes as well as their common and individual efforts to implement them at regional and national levels, with the support of regulatory authorities and energy market participants. Network codes of the electricity sector provide eight regulations currently approved in the European Union, covering the following three domains: market development, users' connection to the network and the operation of electricity power systems.

CNTEE Transelectrica SA is committed to implementing all network codes of the three fore-mentioned domains. Beginning with the date of its adhesion to the regional spot electricity market in the central-eastern area of Europe (4MMC: Czech Republic, Slovakia, Hungary, and Romania), CNTEE Transelectrica SA did its best and succeeded adhering to the regional projects of coordinated transfer capacity calculation in Europe's central-western area (Core region), while also being involved in the south-east of Europe (SEE region). Thus the Company can play a very important role in its region, namely to operate as turning plate between the two.

II. General vision of the competent public authority and of the shareholders with respect to the mission and objectives of CNTEE Transelectrica SA

II. 1 General vision of the competent public authority and of shareholders

In accordance with Romania's 2007 - 2020 Energy Strategy updated for 2011 - 2020, the main action lines, convergent with those from the European Union's energy policy which CNTEE Transelectrica SA will take into account are as follows:

- Increasing the safe electricity supply in terms of the network infrastructure;
 - Increasing energy efficiency along the entire chain: extraction - generation - transmission - distribution - consumption; without wasting energy when availability is reduced and the cost of energy sources grows; energy efficiency is the most profitable method to reduce emissions, to improve safety and competitiveness and to diminish the invoice of energy services;
 - Increasing the competitiveness of electricity markets by correlating them and active participation to the establishment of the European Union's internal power market, as well as to developing the cross-border exchanges while taking into account the interests of Romanian consumers and companies;
 - Constituting market conditions that would stimulate greater energy savings; the electricity market operator OPCOM will provide the short term reference price (spot market) and the forward reference price (forward market), while the liquidity terms are provided by focussing the transactions on the managed markets;
 - Changing the electricity transmission and distribution networks into smart grids and wide scale implementation of smart metering systems;
 - Providing investments in order to develop the energy sector, also by drawing private capital and the funds granted by the European Union with particular attention paid to facilitating the investments of such projects that contribute to achieving the objectives established for 2020 according to the European Union's policy, the



cross-border projects for electricity transmission grids; securities are taken into account and will be provided for loans in case of public-private partnerships and risk sharing mechanisms (especially for the risks associated to new technologies);

- Increasing the innovative and technological development capacity;
- Reducing the vulnerability and increasing the security of critical infrastructures of electricity transmission in the energy sector;
- Proactive participation to the European Union's efforts to formulate an energy strategy for Europe, while supervising and promoting the interests of Romania;
- Sustaining the research-development of new technologies with a view to increase the efficiency of electricity generation and consumption and of environmental protection, as well as of specific education;

II.2 Link between the vision and performance which the competent public authority and shareholders expect from the Supervisory Board

Such link is identified and explained with a view to create value and carry out the objectives of safety, competitiveness and profitability for the transmission infrastructure.

The Supervisory Board will monitor closely the shareholders' vision regarding the Company's role in the national economy and in the wider context of the European one, which should be transposed into objectives measurable in the mid term, as the Board's role is to make certain these objectives result from specific documents such as the strategic development plan and the administration plan.

Consequently the Company administrators will take into account:



- Elaborating a Development Plan for the following 10 years, an integrant part of the National Energy Strategy;
- Implementing a legal framework that should provide a national definition of priorities in the electricity transmission domain and identifying the investment projects that will become national priorities based on clear transparent principles;
- Providing permanent support in order to achieve long-term legislation, avoiding unclear issues and frequent legislative amendments with respect to cost bearing for enhancements made into the electricity transmission and distribution networks;
- Providing safe operation of the SEN, while operating, developing and maintaining the infrastructure;
- Turning electricity transmission grids into smart grids and wide scale implementation of smart metering systems; providing incentives to consumers to become active participants into the operation of the electricity market and into system balancing;
- Achieving the European internal electricity market that will enable more exchanges in the area;
- Increasing the interconnection capacity and enhancing the infrastructure in order to provide the 10% interconnection objective in 2020 and 15% in 2030;
- Investment projects of the development plan should be provided priority for implementation;
- Wide-scale integration of renewable sources, including by promoting the storage / compensation systems ;
- Promoting new technologies and measures to increase energy efficiency, including by developing balancing sources such as response aggregators to demand;

Thus CNTEE Transelectrica SA will become dynamic innovative TSO acknowledged nation-wide and worldwide for technical excellence, financial performance and ability to successfully operate in a volatile economic environment. The Company will provide performing services of high utilisation value, the safe operation of the entire SEN at rated electricity quality; it will also provide safe qualitative connection of all users to the transmission network under non-discriminating transparent conditions. The Company will also develop the integration capabilities for renewable sources, will supply transmission & system services, will provide European integration and will manage the centralised markets under high technical quality and safety terms.

The shareholders of CNTEE Transelectrica SA are fully aware of the importance of those who contribute, so that the public services of electricity transmission should not be endangered. It is also a well-known fact such assignments are accomplished using human resources with expertise in the domain. Many of the technical positions in the Company require live work or at high altitudes, while ever changing technologies require highly qualified personnel.



MINISTERUL ECONOMIEI

Consequently the expectations with respect to the Company's management approach to human resource are obviously adequate for a top company of the Romanian and regional economy, which should successfully cope with current and future challenges. The Company's management should provide attractive environment for the new generations of experts and to equally maintain competition within the Company, which should transfer know-how and expertise to them.

Beyond working conditions covered in proper manner by the labour safety and security requirements the Company's management should also take into account sizing sufficiently attractive instruments in order to encourage performance and innovation among personnel. To this effect the Supervisory Board will make certain a dynamic organisational structure is implemented Company-wide, with functional components and objectives that justify the reason of its establishment and operation, as it provides the optimum development of managerial and operational processes.

III. Company classification in one of the categories of purposes for the public enterprise

CNTEE Transelectrica SA falls in the regulated monopoly category, while achieving public service obligations and other trading activities.

In the mid- and long-term the Company will carry out in exemplary responsible manner its public service mission, relying on modern efficient transmission infrastructures, dispatcher management and support of SEN, while integrating the latest available technologies (smart grid, protection of critical infrastructures, etc).

The support for the public and national interest while formulating and implementing the specific strategies and policies takes into account the capacity of CNTEE Transelectrica SA as national company.

IV. Dividend policy

The Romanian State shareholder through the Ministry of Economy, together with the other Company shareholders is setting the expectations regarding the company value increase in the mid- and long run as desideratum of any investor. Increasing the company value is necessary to be achieved under operational excellence terms and safe SEN operation, against a background of low risk profile, achieved and managed by the Company in responsible manner while observing the profitability approved by ANRE.

The Company management will be concerned with maintaining a solid robust structure of its financing, which should keep the solvency and liquidity indicators within comfortable limits. Such terms when achieved will enable to provide as priority the funds necessary for the investment plan and at the same time distribute dividends in line with the shareholders' expectations for such assets.



V. Investment policy

The Romanian State shareholder through the Ministry of Economy, together with the other Company shareholders expresses its interest and concern for the investments made directly or indirectly into the portfolio of current or future subsidiaries (regardless of their juridical form). Existing subsidiaries will be taken into account but also possible low risk opportunities or strategic investments of Romania in the region, where CNTEE Transelectrica SA might become strategic investor.

CNTEE Transelectrica SA is planning the development of the electricity transmission grid in full agreement with ANRE, taking into account the current stage of the network in technical terms but also the forecasted development of national electricity consumption, the structure of the generation park and the electricity exchanges with neighbouring countries.

The ANRE-approved development plan of CNTEE Transelectrica SA provides achieving the investment projects with a view to upgrade and enhance the Electricity Transmission Grid, increase energy efficiency and the interconnection capacity with ENTSO-E countries and with those outside the European Union, in order to increase the safe operation of SEN & export possibilities and to generally improve the Company's operational and financial performance.

As regards the trans-European energy infrastructure, the European Parliament and Council when establishing the guidelines of the European Union take into account a set of measures to: (i) provide energy security within the European Union, (ii) promote and develop energy efficiency and renewable sources, (iii) promote the interconnection of power networks and, last but not least (iv) integration and operation of the European internal energy market.

Romania with its 7% interconnection is placed among the 12 member states (situated especially in the periferal regions of the European Union) remaining still below the 10% threshold of the electric interconnection objective and consequently are isolated from the internal electricity market. Romania intends changing this state of affairs and establishes the increase of its interconnection to 10% as national objective in the short run and to 15% until 2030.

Transposed in the short- and mid-term investment objectives having obtained the preliminary ANRE-approval for such investments CNTEE Transelectrica SA will take into account:

- Increasing the cross-border interconnection capacity;
- Increasing the transmission capacity between the eastern region (Dobrogea) and the rest of the interconnected SEN while integrating the output generated from RES and other sources in Dobrogea;
- Increasing the safe supply of consumption in deficit areas;
- Improving the system reliability by refurbishing and upgrading the existing substations;

Also the state of the EMS/SCADA system from the National Power Dispatcher (DEN) and of the support logistic elements (telecommunication equipment and network, type and technologic level of equipment from transmission substations) require applying a programme to replace and extend the current system and upgrade the necessary support equipment. At the same time the critical infrastructure should be urgently consolidated with specific equipment and software applications so that the DEN should not be one second in danger of failing to its functional role, taking into account the new cyber developments and the associated threats.



The objective which CNTEE Transelectrica SA should follow in the following four years with respect to the investments already made into its subsidiaries is to consolidate in operational and financial terms their national position and to prepare them to step up on other regional markets. This the management principles governing CNTEE Transelectrica SA should be transposed in its subsidiaries and branches and exercised as such like a responsible shareholders.

The legislative package IV, Clean energy for all Europeans, adopted by the European Union's Council on 22 May 2019 aims at energy efficiency, electricity from renewable sources, electricity market organisation, security of electricity supply, as well as governance rules for the energy union. To this effect emphasis is laid on greater coordination at regional level in terms of transmission system operation by setting up regional coordination centres, aiming at providing higher Europe-wide adequacy and operational security. CNTEE Transelectrica SA will adhere to the regional coordination centre TSCNET.

Also CNTEE Transelectrica SA participates into several projects aiming at establishing joint European platforms to transact system services in order to apply the provisions of the European balancing code for electric power systems. The Company will also affiliate to the single platform allocating long-term capacities (Joint Allocation Office, JAO). The Company will invest the necessary resources to constitute and maintain the necessary (professional, technological, and material) capacity with a view to further the implementation of provisions from the European network codes approved as European regulations.

VI. Research and innovation

The operational management of electricity networks require a consolidated vision of long-term objectives, as well as the ability to test, learn and put in practice the most efficient technologies and concepts when applying the strategic options.

Utilities are of particular interest for the Romanian State. With a view to tailoring the business model and to quickly respond to the dynamics of opportunities and threats in the environment of operation (their working force develops, clients' expectations change) the operators providing this kind of services should have resilient behaviour and promote innovative technological solutions.

At macro European level the energy sector trend is manifest in the changed paradigm of the gravity centre for electricity generation from conventional fuel-fired plants to the output using renewable sources.

Also EU's plans to integrate wholesale markets in all time intervals (forward, day-ahead, intraday and balance) dominate the agenda of the EU, and the next step is a structured framework established for the network operation systems which could enable storing, for instance, but also the trend of migrating to smart grid type networks.

Consequently the main challenges for the operators of electricity transmission systems and for Romania as well in terms of research aim at:

- Increasing technical and human capabilities with a view to develop methodologies and instruments for network utilisation at maximum capacity, without endangering its security;



- Using new materials and technologies to increase network flexibility and identify data extracting and HPC (High Performance Computing) techniques in order to better manage the network, closer to its maximum capacity;

The Romanian State shareholder through the Ministry of Economy as well as the other Company shareholders desire CNTEE Transelectrica SA to take into account in the next four years to develop technical & human capabilities in research-innovation and to promote as priority at managerial level those development and research actions, studies and programmes pertaining to 'digitalisation' as main driver for sustainable development.

Research in the Company will focus on developing the following pillars:

- National and international partnerships in the domain of fundamental and technological research (observing the basic principles, formulating concepts about technologies, experimental demonstration of concepts, validating the technologies in laboratories);
- Partnerships with solution & equipment suppliers for product / technology demonstrations (validation of technologies in relevant and operational environments);
- Partnerships under competitive procedures (for delivery and commissioning of products and solutions);

VII. Ministry of Economy's and shareholders' desideratums with respect to their communication with the Supervisory Board of CNTEE Transelectrica SA

The Ministry of Economy's expectations and those of shareholders are in agreement with the provisions of Emergency ordinance 109/2011 on the corporative governance of public enterprises, with later amendments and additions, as well as with the information provided in the capital market legislation, as the Company shares are listed on the Bucharest Stock Exchange. The frequency of information reporting is provided in applicable norms and, as the case may be, can comply with the need to assess the activity of Supervisory Board and Directorate members according to OUG 109/2011.

In independent manner, in addition to the above any possible deviation from the performance indicators established in mandate contracts should be notified to shareholders in the shortest delay possible as soon as the Supervisory Board deems such deviation probable.

The Romanian State shareholder through the Ministry of Economy intends supporting the Company activities in constructive transparent manner and work closely with the Supervisory Board and Directorate members in order to detect methods to improve the performance of CNTEE Transelectrica SA and to efficiently manage Company resources with a view to reach the established objectives.

VII. Quality and safety of provided services

CNTEE Transelectrica SA is the only operator providing electricity transmission services, the technical operational management of the National Power System and electricity market administration through OPCOM.

This service mainly consists of providing active electricity transmission between two or several RET points within SEN, while observing the norms on continuity, safety and quality.

Transmission constitute public services according to Licence 161/2000 for transmission and dispatch, Revision 2, issued by ANRE and the Company should provide them under non-discriminating conditions for all RET users.



The beneficiaries of electricity transmission services are all licence holders that introduce, namely withdraw electricity into/from SEN, including for import/export activities. Transmission services provided by CNTEE Transelectrica SA consists in providing technical conditions and maintaining the operational parameters of RET while injecting / extracting electricity into/from it, in accordance with the qualitative conditions provided in the RET Technical Code and the ENTSO-E requirements.

CNTEE Transelectrica SA provides quality and performance indicators for electricity transmission and system services in accordance with the provisions of ANRE Order 12/2016 on the „Performance standard for electricity transmission and system services”.

The development strategy of CNTEE Transelectrica SA provides the fundamental objective of achieving the needs and expectations of its clients and of other stakeholders by means of an integrated management system for quality, environment, occupational health and security, which was implemented, certified, maintained and permanently improved in accordance with the requirements of standards SR EN ISO 9001:2015, SR EN ISO 14001:2015 SI SR OHSAS 18001:2008.

The Romanian State shareholder through the Ministry of Economy together with the other shareholders want the Company’s management to hold as priority the achievement of performance indicators, while observing the European norms for electricity transmission and system services provided by the TSO.

In actual terms we refer to:

- RET utilisation;
- System services and coordinating the SEN operation;
- Continuity of electricity transmission services;
- Technical quality of electricity;
- Commercial quality of electricity transmission and system services;

At the same time electricity market participants will be required permanently to observe the minimum technical rules and requirements meant to provide safe economic operation of the SEN.

IX. Expectations in the ethic, integrity and corporative governance domains

In the context of the general good practice principles found in the community legislation also agreed at international level and in the European Union, CNTEE Transelectrica SA has adopted, designed, implemented, permanently tailored and maintained operational an internal managerial control ssytem, as well as an active corporative governance policy in accordance with the Emergency ordinance 109/2011 on the corporative governance of public enterprises and the Corporative Govemance Code of the Bucharest Stock Exchange.

Constituting a sound internal control system in accordance with applicable legislation has began since the establishment of CNTEE Transelectrica SA and represented a long-term process that needed and further requires important efforts of all Company employees, but more particularly from the executive ones.

The compliance framework will be defined and updated in terms of ethics and sustainability, while integrity risks will be identified and assessed, and compliance will be monitored according to the applied compliance framework. The ethical, integrity and sustainability standards and associated policies will be updated by transposing the specific legislation and guidelines issued by competent authorities, while also involving the organisational entities, subsidiaries and branches. Values and principles will be disseminated and acknowledged as part of the organisational culture by means of information, awareness, and workshops.



Policies mentioned will be formalised internally in a set of documents: Code of Ethics and Professional Conduct; Policy regarding the zero tolerance to corruption, fraud and money laundry; Policy on avoiding and fighting conflicts of interests; Policy on presents, protocol expenses and forbidding the facilitating payments; the transparency policy, the policy on involving stakeholders, and contractual discipline. Company-wide compliance monitoring will be formalised using the adopted compliance framework, integrity risks will be identified and assessed and counselling on ethics will be provided.

For the time being CNTEE Transelectrica SA maintains operational an internal managerial control system in accordance with Governmental Ordinance 119/1999, republished, with later amendments and additions and with the Code of internal managerial control of public entities, the latest one approved by Order 600/2018 of the Secretariat General of the Government. Internal managerial control standards define a minimum set of managerial rules which all Company organisational entities should follow.

To this effect the Directorate and Company employees are acquainted with and sustain the ethical and organisational values; they also know and apply the ethical, integrity regulations, those on avoiding conflicts of interests, fraud & corruption prevention and reporting, and notification of irregularities. In this respect the Directorate has adopted the Ethical and Professional Conduct Code of Personnel from CNTEE Transelectrica SA and the affiliation Statement to the Anti-Corruption Strategy assumed by the Company.

The code is compulsory and applies in all the organisational and functional structures of CNTEE Transelectrica SA as well as to the personnel detached or delegated within the Company, each employee being obliged to learn the set of rules and principles contained by it.

Code deviations will be submitted to the Company's Discipline Commission that will decide on disciplinary measures in accordance with Law 53/2003 on the Labour Code, with later amendments and additions as well as with the Organisation and Operation Regulation of CNTEE Transelectrica SA for those guilty of such deviations, wherever they will deem necessary in order to defend Company interests according to the provisions of applicable legislation and norms, measures that can go up to terminating the labour contract.

The Ethical and Professional Conduct Code of personnel in CNTEE Transelectrica SA can be accessed on the intranet network or on the Company's website, in order to provide transparency and understand well the requirements.

Since the managerial team of CNTEE Transelectrica SA have adopted the zero tolerance policy to corruption and fraud, which is obliged to apply permanently and steadfastly and the attributions of a position held by any employee cannot be used for any other purposes than those related to performing the job attributions, each employee fills in an one's own liability statement about observing the Ethical & Professional Conduct Code of CNTEE Transelectrica SA. At the same time the Company has assumed an anti-corruption statement in accordance with the provisions of the Ethical Code.

The Ethical & Professional Conduct Code for personnel of CNTEE Transelectrica SA is submitted to each new Company employee by the human resource departments when he/she signs the labour contract, then he/she will sign another own liability statement to comply with it, thereby finding the monetary penalties applied in case of incompliance. Each statement is kept in the employee's personal file.

Thus CNTEE Transelectrica SA observes and protects the interests of its shareholders and thereby contributes to increasing the Company value and to maximising the profit, taking into consideration the sustainable development principles and the involvement of both its own employees and the social involvement. In terms of corporative government CNTEE Transelectrica SA has implemented the principles recommended by the Bucharest Stock Exchange during the two-tier system administration, these being tailored to the Company's profile. They were quantified through the Corporative Governance Code of CNTEE Transelectrica SA. Nevertheless Company shareholders desire furthering this process and corporative governance principles



should be permanently used as support for Company activities, regardless of the selected development strategy.

At the same time market transparency for one's own investors and shareholders in particular but for all stakeholders in general is one of the principles used as foundation in order to enhance the appreciation of CNTEE Transelectrica SA by the external environment. This is why the shareholders of CNTEE Transelectrica SA intends furthering the enhancement of Company transparency in the future as well while aligning it to the best practice, both in terms of the Bucharest Stock Exchange and for international considerations.

As far as ethics, corporative integrity and responsibility are concerned CNTEE Transelectrica SA has reviewed both the Company's Ethical Code and the Corporative Social Responsibility policy in accordance with the corporative governance principles it chose to follow. Nevertheless the processes associated to such documents should be permanently followed in order to maintain the quality and accuracy of topics approached in the context of market changes, both in terms of the labour market and in terms of those working in the Company.

Company shareholders are also fully aware that CNTEE Transelectrica SA, as part of life has got duties to the society. Social responsibility is a management process whereby CNTEE Transelectrica SA intends contributing to the development of sustainable performant Romanian society.

Company management should further steps in order to carry out the main social responsibility objectives, namely:

- Investments into young people's education and development;



- Sustaining the humanitarian initiatives of non-governmental associations;
- Participating to community development;
- Supporting employees when faced with major health problems;
- Involving the employees in corporative volunteer programmes;
- Investments into environmental protection;

Community involvement is necessary not only for acquiring trading success but also to obtain the respect of communities we perform in.

As far as corporative responsibility in general is concerned, taking into account the trends of non-financial reporting, the Company management should further the steps taken so far in this respect, especially as regards compliance with international standards and increase the quality of reporting from one year to another, with a view to increase transparency and provide relevant indicators, tailored to the needs of stakeholders.

In these regards the expectations of Company shareholders go towards:

- The precise compliance with the obligations resulting from the capacity of company listed on the Bucharest Stock Exchange, in all activities initiated internally or externally;
- Promoting and observing the principles assumed by CNTEE Transelectrica SA in the Ethical Code and in the Corporative Governance Code;
- Greater interest paid to the proper information of stakeholders and to enhancing the company transparency;
- Full compliance of current circumstances in CNTEE Transelectrica SA with incident legislative requirements;

The Supervisory Board while exercising its essential control attributions over the manner in which the Directorate manages the Company, as well as review attributions over the activities performed in the name and on behalf of the Company are entitled and have the duty to establish, against the Directorate and the Company, the audit, check-up and reporting modes it deems necessary to carry out such attributions.

The Nomination and remuneration committee and the Audit Committee are compulsorily established with the Company's Supervisory Board. At least a third committee will be also constituted within the Supervisory Board, which will pertain to energy security.

Shareholders' expectations with respect to committee organisation, board cooperation with internal / external auditors, board cooperation with the directors, supervising the managerial control function and others will be regulated under the Organisation and operation regulation for the Supervisory Board, which will be submitted to shareholders.

Corporate governance principles, the ethical code, the principles governing risk management, transparency for all stakeholders and the concern to increase the Company value should be transposed to the level of subsidiary entities by means of the representation bodies of CNTEE Transelectrica SA into the managerial boards of its subsidiaries. The management of CNTEE Transelectrica SA has the duty to analyse and set performance objectives and criteria for such entities, which should be monitored and corrected in case of significant deviations so that they can contribute to increasing Company value for its shareholders and not to reducing it.

X. Expectations with respect to risk management

The Romanian State shareholder through the Ministry of Economy together with the other shareholders want



for CNTEE Transelectrica SA in the next four years to take into account as a priority the consolidation of a business model relying on safe electricity supply within SEN (National Power System), under economic & financial efficiency terms in sustainable mode, which should cope with the challenges, otherwise changing, of the 21st century.

The safe electricity supply cannot be performed without a proper investment plan, which should mend the existing and event the future vulnerabilities, increase energy independence and the electricity flows by access on other electricity markets.

Company shareholders are equally ascertaining the importance and necessity to provide Company financial independence so that any possible financier of the investment programme could have higher comfort in the relation with CNTEE Transelectrica SA. In other words the Company's financial results should be ever increasing, but also sustainable in the mid- and long run, while financial risk indicators should fall within the risk parameters accepted in the financial-banking sector.

Consequently shareholders' expectations are that permanently CNTEE Transelectrica SA should take into account as a priority the development of any kind of risk detection and prevention, but also manage and minimise impacts whenever they occur.

At the same time the knowledge of threats: strategic, operational, financial and hazard risks the Company is exposed to should enable the hierarchisation of their treatment depending on their likely occurrence, the extent of their impact over objectives and the costs associated to the measures meant to reduce the occurrence likelihood or limit the unwanted effects.

The Company should approach risk management in proactive mode by detecting and treating potential losses before the occurrence of generating events; preparing the specific technical, operational and financial solutions beforehand in order to counter possible losses and mitigate risks at acceptable levels, while decreasing the total value of current risks and observing a compliance with risk tolerance.

Company management should take into account both operational risks derived from the operation of the transmission and telecommunication networks, as well as the reputation risks or those resulting from legislative or regulatory hazards. Greater attention should equally be paid to strategic risks, which are more difficult to detect, but have major impacts over the mid- and long-term development of public utility services. Shareholders consider the systematic structured updated approach of risk management contributes to efficient processes, thus avoiding the negative risk impact over Company activities and over its economic-financial results.

Shareholders would like Company administrators to take action in agreement with the requirements of the Internal Managerial Control System, of the National Anticorruption Strategy, and of the Ethical Code and to comply with legal provisions in the domain of Corporate Integrity and Governance, in the spirit of transparent business responsibility and practice.

The Risk Management System represents a true opportunity to increase the performance of organisational processes in order to reach objectives while judiciously using the funds, and shareholders' expectations are for Company administrators to provide resources as necessary to maintain and permanently improve its effectiveness, to manage the elements establishing the conditions and instruments needed to enhance internal managerial control.

Shareholders' expectations go prevalingly towards:

- Total compliance of current Company circumstances with the incident legislative requirements;
- Promoting and observing organisational values (professionalism, tradition, social dialogue, respect for people and environment, respect of the organisational culture, for community, history, etc).

To this effect the Supervisory Board together with the Directorate should identify the main risk indicators



regarding the activities of CNTEE Transelectrica SA and to permanently monitor them in order to reduce the Company's exposure to the effects of certain inherent risks (economic-financial, commercial, juridical, operational, etc.)

XI. General expectations

Environmental protection

The Supervisory Board will make certain that CNTEE Transelectrica SA will elaborate a long-term programme in order to provide conformity with the environmental protection regulations.

Social responsibility

The shareholder's vision with respect to social responsibility pertains to business prosperity which is closely related to the Company's.

Besides such managerial responsibilities in the Company the Supervisory Board has got social responsibility towards the environment it operates within, towards employees and to everying constituting Company's stakeholders (environment, shareholder, employees, creditors, governmental & non-governmental organisations, etc).

The shareholder expects the Supervisory Board members to manage business processes in responsible manner, to develop a business strategy centred on social responsibility so that it can contribute to the Company's sustainable development in the long run.