

NOTE

for the approval by the General Meeting of Shareholders of the acquisition of legal services for the execution of projects and transactions with a cross-border elements in which the National Electricity Transmission Company "Transelectrica" -S.A. is involved in the application of governmental decisions or, as the case may be, in the application of European regulations arising from its status as a transmission and system operator in the electricity sector

I General information and context

The National Electricity Transmission Company "Transelectrica" -S.A. (hereinafter "**the Company**") is a joint-stock company managed under two-tier system listed on the Bucharest Stock Exchange and a *public enterprise* in accordance with Article 2, paragraph 2, letter b) of the Government Ordinance no.109/2011 *on the corporate governance of public enterprises*.

At European level and in the neighbouring geographical area, the energy sector is undergoing a profound transformation. The focus is on the transition from a predominantly national model for the evolution and development of the energy sector to a model of integrated and coordinated development at European level, which will ensure unified development at continental level but will also allow for adaptation to national specificities in pursuit of the legitimate interests of the European states. On the other hand, in the area immediately bordering the Black Sea on the east-west axis, as well as in other neighbouring areas, increasingly concrete intentions are taking shape to cooperate in the field of green energy generation and transmission with the aim of increasing energy security in these regions.

The electricity transmission networks play a crucial role in achieving European goals, in particular in terms of security of supply for consumers, the formation of the internal electricity market, the integration of renewable energy sources and the reduction of negative environmental impacts. The transmission networks have an extremely important role to play in achieving these objectives by increasing the interconnectivity of the electricity systems of the European countries (as a supporting factor for increasing security of supply and increasing the possibilities for cross-border energy trading). At the European level, integrated and coordinated planning of the development of continental transmission infrastructure for electricity is being carried out, multiple scenarios are being analysed with regard to the evolution of electricity demand and its coverage with resources (ENTSO-E: TYNDP Ten Year European Transmission Network Development Plan TYNDP), main corridors and priority transport projects are identified (European Commission: establishing the list of PCI projects) and incentive mechanisms are used to accelerate their implementation (one-stop shop at national level to obtain all necessary administrative approvals, European financial assistance ex. Connecting Europe Facility).

On the other hand, it highlights the central role played by transmission system operators in their joint endeavour to develop electricity network codes at European level and the joint and individual efforts to implement them at regional and national level, supported by regulators and

energy market participants. The electricity network codes include eight regulations currently approved at EU level, covering the following three areas: market development, connection of users to the grid and operation of electricity systems. The company is engaged in the process of implementing all network codes in these three areas. Starting from the moment of joining the regional spot electricity market in the Central-Eastern Europe (4MMC: Czech Republic, Slovakia, Hungary, Romania) in 2014, Transelectrica has been endeavouring and obtained the membership in the regional projects of coordinated calculation of transfer capacity in the West-Central-East Europe (Core region), while being engaged in the South-Eastern Europe (SEE region). Transelectrica is operationally involved in the two cross-border coordinated capacity calculation regions, having service contracts with the regional coordination centres TSCNET Services (Core region) and SELENE Coordination Centre (SEE region). Transelectrica will also be involved in the new EE (Eastern Europe) coordinated capacity calculation region, which includes Ukraine, Poland, Slovakia, Hungary, Romania and the Republic of Moldova. Also, Transelectrica is part of several trans-European projects for the establishment of common European electricity trading platforms in order to balance the energy systems, the process being methodologically coordinated at ENTSO-E level (technical, commercial/settlement, legal and governance aspects) under the monitoring of ACER. The Company is currently a shareholder of TSCNET Services GmbH¹ and of the Joint Allocation Office S.A. - the European Centre for the Allocation of Cross-Border Transmission Capacity (JAO)²

On the other hand, at the end of 2023 and in 2024, the Company entered into preliminary agreements with external partners for the development of projects that are focused on energy security and green energy.

Chronologically, on November 10, 2023, the Company announced the signing of a **strategic Memorandum of Understanding (MoU) to conduct a feasibility study for an HVDC infrastructure project in Romania, in which the other parties are Abu Dhabi National Energy Company PJSC (TAQA), Meridiam, E-INFRA and Fluor**. Due to their shared commitment to energy security and green energy, the signatory companies intend to conduct a feasibility study to explore the technical, economic and legal prerequisites for a reference project that would see the design, construction and development of an 850 km underground HVDC infrastructure to bring an additional 5 GW of low-carbon energy capacity to communities in Romania and the European Union. This energy infrastructure would be located along the route of the Tuzla - Podișor gas pipeline and the Bulgaria-Romania-Hungary-Austria (BRUA) gas pipeline, capitalising on the routes of existing corridors. The Ministry of Energy of Romania, in line with its vision for a sustainable energy transition, has backed the institutional support for the activities under the MoU. In addition, the parties are proactively engaging with other relevant Romanian authorities to enable the necessary regulatory support. As global demand for reliable, efficient and long-distance power transmission solutions continues to grow, HVDC technology is proving to be a key enabler. HVDC systems offer numerous advantages, including lower losses of electricity during transmission, greater grid stability and the ability to facilitate the integration of renewable energy sources, which are often located at great

¹ Since 2017

² Since 2019 by participating in the JAO shareholding, NPT Co. Transelectrica has joined the large family of the TSOs in Europe in creating structures with common governance, thus the interests of the Company and the Romanian energy system being directly represented in pan – European organisations.

distances from existing infrastructure. As more and more countries increasingly move towards cleaner and more sustainable energy systems, HVDC technology has become a strategic tool for the modernization of electricity grids and the support of the global transition to renewable energy. In addition, the growth of international power exchange projects and the expansion of offshore wind farms are further stimulating demand for HVDC technology.

On May 27, 2024, in Bucharest, in implementation of the Agreement between the Governments of the Republic of Azerbaijan, Georgia, Romania and Hungary on the Strategic Partnership in the Field of Green Energy Development and Transmission - "Green Energy Corridor" Project, the Company and the other relevant parties designated at the level of each state, namely AzerEnerji JSC, Georgian State Electrosystem and MVM Zrt. signed a Memorandum of Understanding whereby they agree to make the necessary efforts towards the establishment of a Joint Venture company based in Romania. The Joint Venture Company, for the establishment of which it was agreed to initiate the proceedings for the establishment of the company, would ensure the implementation of the Green Energy Corridor project, in accordance with the agreement between the Governments of Azerbaijan, Georgia, Romania and Hungary. The Memorandum signed in Bucharest between NPG CO. "Transelectrica" SA, AzerEnerji JSC, Georgian State Electrosystem and MVM Zrt. laid the foundations of the general framework of agreement of the four relevant parties on the initiation of the proceedings for the establishment of the Joint Venture company, subject to the prior statutory agreements of each company. In this regard, the Company, subsequent to the establishment of the adequate complete information concerning the new Joint Venture Company, has announced that it will convene the General Meeting of Shareholders to obtain approval for the participation in the share capital of the Joint Venture Company. The Green Energy Corridor is an ambitious project agreed by the governments of Azerbaijan, Georgia, Romania and Hungary, with the support of the European Commission, which will integrate regional energy capacity and provide competitively priced electricity from renewable sources in line with the EU's current energy transition objectives. The company, designated by the Romanian Government as the relevant party in this project, is to work closely with the other relevant parties in the partner states in order to achieve the objective of this highly complex project, namely to assess the potential for clean energy production and exchanges in the Caucasus/Europe region and to design the related infrastructure taking into account technical, economic and regulatory aspects.

Thus, the Company's involvement in international projects or transactions (in which **cross-border elements** are present at **least in terms of applicable law and dispute settlement competence**), in the application of governmental decisions or, where applicable, in the application of European regulations deriving from its status as transmission and system operator in the electricity sector, creates the **need for specialised legal support in the negotiation of the documents on which these corporate or commercial relationships are based, documents which give rise to important rights and obligations of the Company.**

Precisely, the legal services will consist of preliminary evaluation of the project or of the transaction, consultancy and assistance throughout the negotiation procedure, including of the documents that set rights and obligations of the partners/associates, as well as the achievement of optimal solutions to conclude transactions, namely their preparation, development, negotiation and completion. For those mentioned before, the proven expert

evidence on international level is required within some large –scale projects or/and transactions where the involvement of the Company is necessary, as well as legal experience in relevant international jurisdictions. Beyond the good administration of the legal risks, the purchase of specialized legal services is essential to also reach the business objectives of the Company and subsequently, the financial objectives.

By reference to the applicable legal framework to be specified in point II below, the "legal specialist staff employed" by the Company carries out its activity within an organisational structure (Legal and Litigation Department) whose **activity and expertise is essentially directed towards the fulfilment of its main object of activity - the transmission of electricity, and the areas directly deriving from this activity** (investments, maintenance, technical, procurement), the Company being a transmission and system operator (regulated activity) with a key role on the Romanian electricity market. The legal activity is conducted under Romanian law.

This note concerns exclusively the fulfilment of the conditions for the contracting of specialised legal services by the Company, as an **exception justified** by those presented above. Insofar as the assumption of art. 14 paragraph (3) letter b) of the Articles of Association is to be realised, i.e. "the incorporation or participation in the incorporation of entities with separate legal personality, with patrimonial or non-patrimonial purpose, as well as participation in the share capital of other companies", the executive management of the Company shall request the approval of the General Meeting of Shareholders in advance for each case, providing the information necessary for taking a decision.

II Applicable legal framework

In accordance with Article 11 paragraph (5) of **GEO no.68/2019**, with subsequent amendments and completions, **"the exercise of the rights and fulfilment of the obligations arising from the status of shareholder of the State in the National Company for the Transmission of Electricity "Transelectrica" - S.A. and its subsidiaries is carried out by the General Secretariat of the Government"**, the General Secretariat of the Government being also the *public supervisory authority* for the Company, in accordance with GEO no.109/2011.

According to Art. (3) of **O.U.G. no.26/2012 on certain measures for the reduction of public spending and strengthening financial discipline and amending and supplementing certain normative acts**, as subsequently amended and supplemented, according to which **"in duly justified situations in which the legal activities of consultancy, assistance and/or representation, necessary"** for the Company **"cannot be provided by the legal specialised staff employed"** (of the Company) **"services of this nature may be contracted in accordance with the law, only with the approval and mandate of the representatives of the State (...) in their governing bodies"**.

The Company's governing body in which the will of the Romanian State, the majority shareholder holding 58.6882% of the share capital is manifested, is the General Meeting of Shareholders. With reference to the provisions of Article 125 paragraph (2) of the **Companies Act no. 31/1990**, republished, as amended and supplemented, with reference to Article 7 of **Government Decision no. 137/2020 on the organisation, operation and duties of the General Secretariat of the Government**, as amended and supplemented, the **representative of the**

State in the General Meeting of Shareholders is the Secretary General of the Government or, as the case may be, a person expressly empowered by them.

III Proposal

Pursuant to **Art. 14 paragraph (2) let. n) of the Articles of Association in force, referred to Art. (3) of G.E.O. no.26/2012 on certain measures for the reduction of public spending and the strengthening of financial discipline and to amend and supplement some normative acts,** with subsequent amendments and completions, we propose:

-the approval of the procurement of legal services for the development of projects and transactions with cross-border elements in which the National Electricity Transmission Company "Transelectrica" -S.A. is involved in the implementation of governmental decisions or, where appropriate, in the application of European regulations arising from the status of transmission and system operator in the electricity sector.

THE DIRECTORATE

Chairman

Member

Member

Member

**Ștefăniță
MUNTEANU**

**Catalin Constantin
NADOLU**

**Florin-Cristian
TĂTARU**

**Bogdan
TONCESCU**