



**Transelectrica®**  
Societate Administrată în Sistem Dualist

**Compania Națională de Transport al Energiei Electrice**  
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No. 13245/26.03.2025

**To: GENERAL MEETING OF SHAREHOLDERS**

**Audit Committee and Risk Management Committee Report  
of Supervisory Board of NPG CO. "Transelectrica" S.A. (TEL) for the year 2024 on the  
Company's internal control and significant risk management systems**

The Supervisory Board (SB) has an essential role within the Company, monitoring and controlling the activities of the Directorate in order to protect the interests of the shareholders. Thus, the SB has the attribute to establish the control and verification methods that it deems necessary in order to carry out its supervisory activities and subsequently to report on the activity carried out to the shareholders at the General Meetings of Shareholders (GMS). The organization and operation of the SB and the procedure for adopting decisions in the advisory committees was established by the Regulation on the organization and operation of the SB of TEL, in application of the duties and responsibilities established by the relevant legislation, namely: the Companies Law, Capital Market Legislation, Law no. 123/2012, GEO no. 109/2011, as well as by the Articles of Association.

All seven members of the Supervisory Board have completed and submitted declarations of independence.

In accordance with its statutory and legal powers, the **Supervisory Board, convened on March 04, 2024, decided the advisory committees within the SB.**

The members of the Committees are nominated from among the members of the SB (appointed also by the shareholders under OGMSR no.1 of February 28, 2024 for a 4-year mandate).

The current composition of the Audit Committee is as follows:

- ✓ ZEZEANU Luminița - Chairperson
- ✓ ATANASIU Teodor
- ✓ RUSU Rareș Stelian
- ✓ PĂUN Costin-Mihai
- ✓ VASILESCU Alexandru-Cristian

The Risk Management Committee ensures that the control activities are consistent with the risks generated by the activities and processes subject to control, identifies, analyzes, evaluates, monitors and reports on the risks identified, the plan of measures for their mitigation or anticipation, other measures taken by the Directorate. Furthermore, it is responsible for measuring TEL's solvency, in relation to its usual duties and obligations, and informs or, where appropriate, makes proposals to the SB. The current structure of the Risk Management Committee is as follows:

- ✓ ATANASIU Teodor - Chairman
- ✓ VASILESCU Alexandru-Cristian
- ✓ DASCĂL Cătălin-Andrei
- ✓ RUSU Rareș Stelian
- ✓ ORLANDEA Dumitru Virgil.

TEL's SC Committees have carried out their activities in accordance with the relevant legal provisions. In fulfilling their responsibilities, the Audit and Risk Management Committees regularly monitor the financial reporting process, the effectiveness of the internal audit and control systems and the risk management system adopted by the Company. The Committees report on their work to the SB.

During 2024, the Audit Committee, convened in 9 plenary sessions, reviewed the financial and management reporting process, as well as the financial plan and the preparation process of the annual separate and consolidated financial statements.

The Audit Committee approved the Annual Public Internal Audit Plan for 2024 and the Report on the Public Internal Audit activity for 2023 conducted at the Company and Subsidiary levels, and on December 23, 2024 approved the Annual Public Internal Audit Plan for 2025.

The meetings also analyzed and verified the data and information included in the following documents:

- Revenue and expense budget for 2024 and estimates for 2025-2026;
- Investment Program for the year 2024 and estimated investment expenses for the years 2025 and 2026;
- Preliminary separate financial statements as of and for the year ended December 31, 2023;
- Separate financial statements for the year ended December 31, 2023;
- Consolidated financial statements for the year ended December 31, 2023;
- The annual report of the Directorate on the Company's activity in the year 2023 as required by the capital market legislation;
- The consolidated annual report of the Directorate on the Company's activity in the year 2023 as required by the capital market legislation;
- Definitivation of the Half-Yearly Report of the Supervisory Board on the economic and financial activity of NPG CO. "Transelectrica" S.A. for the second semester of 2023;
- Simplified interim financial statements as of March 31, 2024;
- Report on the economic and financial activity of the Company as at March 31, 2024;
- Simplified interim financial statements at June 30, 2024
- Report on the economic and financial activity of the Company as of June 30, 2024;
- Report of the Supervisory Board on the management activity January-June 2024;
- Interim financial statements as of September 30, 2024;
- Report on the economic and financial activity of the Company as at September 30, 2024 "ASF Quarterly Report";
- Activity Report of the Directorate for the period January-September 2024
- Approval of the Annual Public Internal Audit Plan 2025.

During the statutory meetings, the members of the SB Audit Committee took note of the following documents:

- Independent auditor's report on the separate financial statements for the year ended December 31, 2023;
- Independent auditor's report on the consolidated financial statements for the year ended December 31, 2023;
- Report on the proposed distribution of net income as of December 31, 2023;
- Report on the proposed gross dividend per share from retained earnings as of December 31, 2023;
- Report on the establishment of reserves related to the revenue realized from the allocation of transmission capacity on interconnection lines in 2023, from the surplus realized from taxable and non-taxable revaluation reserves upon change of use;
- Information on the work of the Internal Public Audit in the context of changes to GEO 109/2011;
- Report of the Internal Public Audit on the activity for the year 2023;

- Presentation of the Directorate's Activity Report for the fourth quarter and January-December 2023, in accordance with GEO 109;
- Miscellaneous.

Also in 2024, members of the Audit Committee and members of the Risk Management Committee participated in the drafting and finalization of:

- Report of the Audit Committee and of the Risk Management Committee of the Supervisory Board of NPG CO. "Transelectrica" S.A. (TEL) for the year 2023 on the Company's internal control and significant risk management systems, prepared on the basis of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange (material of the Annual Ordinary General Meeting of Shareholders for the meeting of 29.04.2024);
- First semester report 2024 of the SB on the management activity, prepared in accordance with GEO 109/2011, presented to the shareholders at the ordinary meeting of 09.12.2024;

During 2024, the Audit Committee was briefed on the status of the 2024 (Internal) Audit Action Plan and was provided with all Audit Reports issued in 2024.

We hereby provide shareholders with brief information on the Company's significant internal control and risk management systems

## **I. Report on the 2024 activity carried out by the Internal Public Audit (IPA) structure of NPG CO. "Transelectrica" S.A. and its subsidiaries**

The activity report presents the organizational and performance manner of public internal audit activity within the Company and its subsidiaries (Company for Maintenance Services of the Electricity Transmission Grid "SMART" - S.A., Company for Maintenance Services of the Electricity Transmission Grid "SMART" - S.A., Company for Maintenance Services of the Electricity Transmission Grid "OPCOM" - S.A., "FORMENERG" - S.A., "TELETRANS" - S.A., "ICEMENERG - SERVICE" - S.A. The establishment of the internal public audit function at their level is as follows:

1. three subsidiaries have set up their own internal public internal audit structure, with the agreement of NPG CO. "Transelectrica" S.A;
2. two subsidiaries internal audit by the higher hierarchical body. The internal audit is ensured by NPG CO. "Transelectrica" S.A. for the subsidiaries FORMENERG and ICEMENERG SERVICE S.A.

During 2024, in accordance with the Company's organizational structure, eight Territorial Transmission Branches, without legal personality, operated.

### **I.1. Planning public internal audit activity**

In 2024, the activity of the Internal Public Audit (IPA) structure was carried out on the basis of the Annual Internal Audit Plan approved at the beginning of the year by the Supervisory Board and in accordance with the provisions of Law no. 672/2002 on public internal audit, republished, with GD no. 1086/2013 for the approval of the General Rules on the exercise of public internal audit activity and with the International Standards for Internal Auditing.

✚ The Annual Public Internal Audit Plan for 2024 was based on:

- ✓ Risk analysis;
- ✓ Requests from members of the Directorate/Supervisory Board;
- ✓ Available Time Fund;
- ✓ Compliance with audit periodicity;
- ✓ The human resources involved.

The annual public internal audit plan for 2024 included a total of 19 regularity/compliance engagements. The 2024 Annual Public Internal Audit Plan was revised and re-approved to perform 2 ad-hoc engagements at the request of the SB

- ✚ At the level of the three subsidiaries of NPG CO. "Transelectrica" S.A. that have issued the annual report on the public internal audit activity, the activity planning process presents the following particularities:
  - SMART's Multi-annual Plan 2024 - 2026 and Annual Internal Audit Plan 2024 were approved at the end of 2023. 4 regularity engagements were planned.
  - at OPCOM The planning activity of the internal public audit activity for the year 2024 mainly concerns the following:
    - approval of the Multiannual Public Internal Audit Plan for the period 2023 - 2025;
    - Approval of the Annual Public Internal Audit Plan for the year 2024 which included 5 public internal audit assurance engagements;
  - At TELETRANS (TLT) a number of 4 assurance engagements were performed in accordance with the Annual Public Internal Audit Plan for 2024, approved at the end of 2023 by the Board of Directors. A number of 4 assurance engagements were established in the Annual Plan 2024, namely:
    - Evaluation of the internal management control system;
    - Audit of the OHS activity;
    - Auditing the financial - accounting activity and carrying out preventive financial control;
    - Evaluation of human resources activity.

### **I.2. Public internal audit engagements performed**

In 2024, at the level of NPG CO. "Transelectrica" S.A., the 19 planned public internal audit engagements were completed (of which 2 ad-hoc and 17 regularity/compliance), which covered the following areas:

- 13 - specific areas;
- 3 - human resources;
- 2 - finance - accounting;
- 1 - public procurement.

The achievement of the Annual Public Internal Audit Plan for the year 2024 was 100%.

### **I.3. The current situation of public internal audit**

The internal public audit structure within NPG CO. "Transelectrica" S.A. has been set up and operational since 2004.

At the level of the five subsidiaries its functioning has the following characteristics:

- ✓ The status of the establishment of the public internal audit function is as follows:
  - three subsidiaries have set up their own internal public audit structure, with the approval of NPG CO. "Transelectrica" S.A.;
  - two subsidiaries have set up internal audit by having this function performed by the higher hierarchical body. The internal audit is provided by NPG CO. "Transelectrica" SA for the subsidiaries FORMENERG and ICEMENERG SERVICE SA.
- ✓ In terms of the organization manner of the public internal audit function, the three subsidiaries that have set up their own internal audit structure have opted for the following structure:
  - one (SMART) for the service;
  - one (OPCOM) for the office;
  - one (TELETRANS) for the compartment.
- ✓ Public internal audit works in four entities:
  - to three entities (SMART, OPCOM, TELETRANS) through their own structure;
  - to an entity (FORMENERG) through the higher hierarchical body;
- ✓ At one entity (ICEMENERG SERVICE) the public internal audit is not functioning, although it is established by the higher hierarchical body. The company ICEMENERG SERVICE is in bankruptcy proceedings, no public internal audit engagements have been performed in recent years.

### I.3.1. Reporting on public internal audit activity

The three subordinated entities (SMART, OPCOM and TELETRANS) have thus the obligation to issue and communicate to NPG CO. "Transelectrica" SA the annual activity report on the public internal audit function. Among them, the annual activity report was issued by three subordinated public entities (subsidiaries), the information provided by them is also included in this report.

### I.3.2. Independence of the public internal audit structure and objectivity of the auditors

Independence is the attribute of the public internal audit function while objectivity is the prerogative of public internal auditors. Therefore, the following criteria for maintaining the independence of the public internal audit function shall be respected :<sup>1</sup>

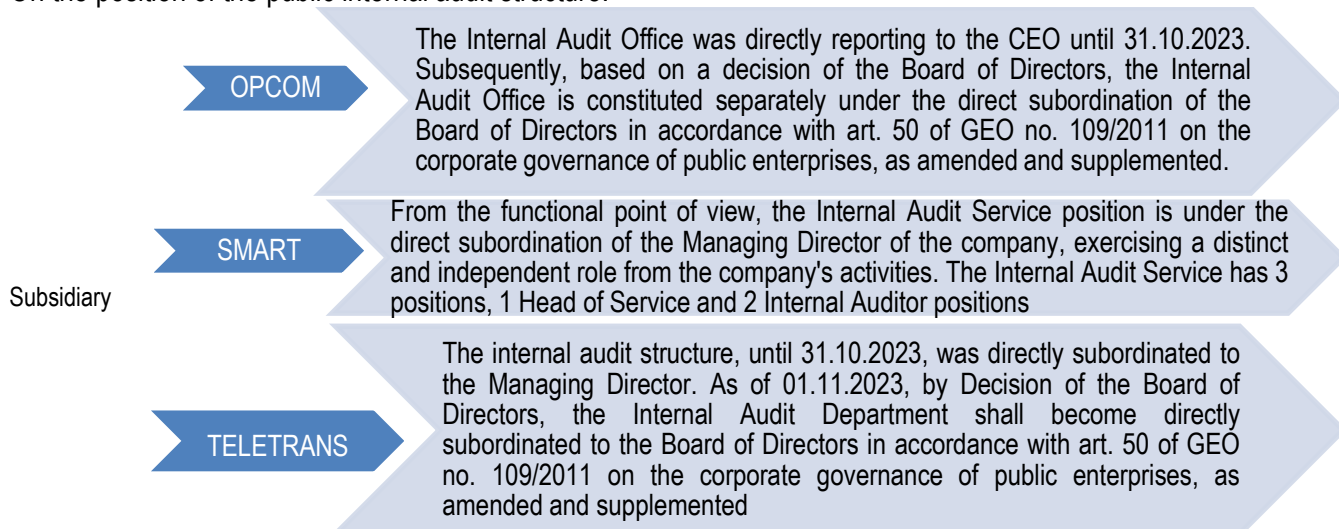
- ✓ the public internal audit function reports directly to the Company's senior management;
- ✓ The appointment and dismissal of the management of the public internal audit function and of the public internal auditors shall be subject to the endorsement process, according to the law, and the following criteria shall be respected in order to maintain the objectivity of the public internal auditors:
  - ✓ Public internal auditors are not involved in the activities that they may subsequently audit;
  - ✓ The public internal auditors shall declare their independence during the public internal audit and evaluation engagements performed.

#### ❖ NPG CO. "Transelectrica" S.A.

The Public Internal Audit (IPA) structure is subordinate to the Supervisory Board. During 2024, neither the head of the Public Internal Audit structure nor the internal auditors were appointed or dismissed.

- ❖ At the level of NPG CO. "Transelectrica" S.A. subsidiaries The annual activity reports issued by three functional public internal audit structures provided the following information:

On the position of the public internal audit structure:



Concerning the application and compliance with the procedure for the appointment/removal of the head of the public internal audit structure during 2024:

<sup>1</sup> In accordance with the current legal basis, i.e. Law no. 672/2002, republished with subsequent amendments and HG no. 1086/2013, as well as the International Standards of Professional Practice in Internal Auditing (IPPF) issued by the Institute of Internal Auditors (Standards 1100 to 1130).

Subsidiary	OPCOM	Not applicable during the reporting year
	SMART	Not applicable during the reporting year
	TELETRANS	Not applicable during the reporting year

Within NPG CO. "Transelectrica" S.A: during the year 2024, the Internal Public Audit structure was not involved in the performance of auditable activities. At the same time, during 2024, all internal auditors completed the "Declaration of Independence" for each internal public audit engagement in which they participated. No issues were noted as a result of the completion of these statements.

Objectivity of internal auditors in subsidiaries:

Subsidiary	OPCOM	In the year 2024, the public internal audit structure was not involved in the exercise of auditable activities at company level.
	SMART	The Internal Audit Service was not involved in auditable activities in 2024.
	TELETRANS	The internal auditors of the Internal Audit Department were not involved in auditable activities in 2024.

In 2024 they had no difficulties in completing their declarations of independence.

### I.3.3. Providing the methodological and procedural framework

The methodological and procedural framework for the internal public audit activity refers to aspects that are likely to ensure the proper performance of this activity, taking into account the applicable methodologies and procedures, as well as the application of and compliance with the internal public auditor's code of ethical conduct. With regard to the procedural aspects of the activities within the public internal audit structure, they are also subject to the issuance of system or operational procedures, as appropriate. In light of these considerations, it is necessary for the public internal audit structures to consider and decide how many of the activities performed need to be proceduralized (i.e. a written procedure issued for that activity). In this context, the degree of proceduralization may vary from one entity to another, depending on the professional judgment applied. The degree to which procedures are to be issued will also be determined for the actionable activities. Naturally the target is 100%, aiming to get as close as possible to this score.

### I.3.4. Existence of written procedures specific to public internal audit activity

At the level of NPG CO. "Transelectrica" S.A. and its subsidiaries, all the stages involved in the performance of public internal audit engagements, from their planning to the follow-up and reporting on the status of implementation of recommendations, are set out in the content of the internal rules. Thus, the public internal audit activity was carried out in 2024 in accordance with the provisions of the own rules specific to public internal audit activity. At the same time, the Own Rules specific to the activity of public internal audit and the Internal Audit Charter prepared by the Internal Audit Office were submitted to NPG CO. Transelectrica SA for endorsement, in accordance with the legislative and organizational changes made at the company level in accordance with the Instructions on the application of Law no. 672/2002 on public internal audit in conjunction with art. 50 of the Government Emergency Ordinance no. 109/2011, in the case of public companies (with their own internal audit department). In conclusion, a written procedure has been issued for all the procedural activities, which represents a 100% issuance of procedures.

### Ensuring and improving the quality of public internal audit activity

Developing and updating the Quality Assurance and Improvement Program (QAIP)

In accordance with the provisions of point 2.3.7. of Annex no. 1 to GD no. 1086/2013, a Quality Assurance and Improvement Program (QAIP) shall be developed at the level of the public internal audit structure in all aspects of public internal audit, allowing a continuous monitoring of its effectiveness. The application of the QAIP shall ensure that this work is carried out in accordance with the rules, guidelines and the Code of Ethical Conduct for the public internal auditor and contribute to the improvement of the work of the public internal audit organization. The QAIP is used to draw conclusions on the quality of public internal audit activity and to make recommendations for the implementation of appropriate improvements to this activity and should allow an assessment of:

- compliance with the legal basis in force;
- the contribution of public internal audit to the organization's governance, risk management and control processes;
- full coverage of the auditable area;
- compliance with the laws, regulations and procedures with which public internal auditing must comply;
- risks affecting the functioning of public internal audit.

The QAIP requires a systematic and disciplined approach to the periodic self-assessment process, including how periodic self-assessments are carried out for each intervening year between external assessments. A fully functioning QAIP exercises continuous monitoring and periodic self-assessment of the public internal audit activity to ensure compliance with the applicable legal and procedural framework. Through this process, the external evaluation effectively becomes an opportunity to gain new insights from the evaluator or evaluation team regarding ways to enhance the overall quality, efficiency, and effectiveness of public internal audit.

❖ NPG CO. "Transelectrica" S.A.

On 10.12.2020, the last update of the QAIP was carried out at the level of the internal public audit structure of the Company.

❖ NPG CO. "Transelectrica" S.A.

From the annual activity reports issued by a total of three functional public internal audit structures, the following information emerged:

1. At the level of OPCOM's internal public audit structure, the 2022 version of the Program for ensuring and improving the quality of internal public audit activity is applicable and contains the action plan for the period 2023 - 2025.
2. At the Internal Audit Service level within SMART, the QAIP issued in 2023 did not require updates in 2024
3. At the level of the internal public audit structure of Teletrans the last update of the document was made in March 2021.

### **I.3.6. Conducting the external evaluation**

Complementary to QAIP, the quality of the public internal audit function can be improved through external assessments. These assessments should be carried out every five years, as required by national legislation, but also in accordance with international internal auditing standards issued by the Institute of Internal Auditors. The objective of the external evaluation is to assess the public internal audit activity in terms of its compliance with the definition of internal audit, the requirements of the code of ethical conduct and the relevant national legislation. External evaluations may also focus on identifying opportunities to improve the public internal audit function, providing suggestions to improve the effectiveness of the public internal audit function and promoting ideas to enhance the image and credibility of the public internal audit function.

- ❖ At the level of NPG CO. "Transelectrica" S.A. and its subsidiaries in 2024, the IPA was not assessed by the Internal Public Audit Department of the General Secretariat of the Government, the hierarchically superior body, nor was the internal audit activity within the two subsidiaries assessed by the hierarchically superior audit structure, namely the Internal Public Audit of NPG CO. "Transelectrica" S.A. The Company's IPA issued the Internal Public Report, prepared following the internal public audit assignment

on "Evaluation of the internal public audit activity at OPCOM SA", endorsed by the Supervisory Board of Transelectrica in 2024.

### **I.3.7. Human resources allocated to internal audit**

At a time of increasing emphasis on organizational accountability, improved internal control, risk management and corporate governance, there should also be increasing emphasis on public internal audit structures. In order to achieve its objectives, it is important that the<sup>2</sup> internal audit capability has access to human resources with the necessary skills to do so.

- ❖ At NPG CO. "Transelectrica" S.A. level - At the entity level, on December 31, 2023, the public internal audit structure had one management position (Chief Inspector). The person who also assumed the duties of the Chief Inspector is employed in another organizational entity of the Company. In terms of executive positions, as at December 31, 2024, the Internal Public Audit structure had 7 internal auditor positions allocated, of which 6 are occupied by persons actually working for the Internal Public Audit structure and 1 position is vacant.
- ❖ At the level of NPG CO. "Transelectrica" S.A.'s subsidiaries, as at December 31, 2024, the internal public audit structures had the management and executive positions

### **I.3.8 Personnel structure and training at December 31, 2024**

The following criteria have been taken into account when analyzing the personnel structure: experience in public internal auditing, field of specialized studies, foreign languages spoken, national and international certifications held as well as membership in national and international professional organizations. All these elements, together with the professional training of the personnel, contribute to a qualitative analysis of human resources, which is an extremely important factor in the performance of public internal audit activity.

- ❖ NPG CO. "Transelectrica" S.A.

According to the Nomenclature set out in the Collective Bargaining Agreement, all IPA employees are classified as internal auditors and the head of the structure is classified as Chief Inspector. According to the populated Personnel Regulations, valid as of 30.09.2024, within the structure of Internal Public Audit (IPA) there is 1 position of Chief Inspector and 7 positions of internal auditor, 6 of which are filled by internal auditors with more than five years of experience in internal public auditing, 1 position is vacant. As of 31.12.2024, the employees of the Internal Public Audit (IPA) structure have the following professional background: 7 economists, 2 of them are engineers, and 1 is a graduate also in mathematics - computer science. All 7 employees of the IPA speak English, 3 of them also speak French, and 1 also speaks Turkish.

The status of the certifications held by the internal auditors and the Chief Inspector of the IPA is as follows:

- - The Chief Inspector holds the international certification CISCO IT Essentials: PC hardware and software and CISCO IT Essentials II: Network operating systems.
  - - an internal auditor is a financial auditor and business valuator.
  - - an internal auditor is certified as an ANRE authorized electrician grade IV A+B and as an ISC authorized site manager in the field of electrical networks.
  - - an internal auditor is also a quality auditor.
- ❖ NPG CO. "Transelectrica" S.A.

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<sup>2</sup> The existence of a minimum number of personnel within the public internal audit structure is very important for the following reasons:

- art. 2 lit.(f) of Law no. 672/2002, republished, with subsequent amendments and additions specifies that a public internal audit structure may be established with a minimum of 2 full-time positions. Therefore, any public internal audit structure should comply with this legal provision by having a minimum of 2 full-time public internal auditor positions.
- The entire public internal audit methodology specified in GD No. 1086/2013, refers to the existence of a public internal audit team which must include an engagement supervisor. Therefore, any public internal audit structure should comply with these requirements, needing a minimum of 2 full-time positions that are also filled.

1. Within the Internal Audit structure of OPCOM there is an employee with more than 18 years of experience in public internal audit (head of the structure) and an employee with experience in public internal audit since September 2020
2. Within the SMART subsidiary on 31.12.2024 the Internal Audit Service had the following structure: 1 Head of Service with experience in public internal auditing from 2019 to present, with specialization: economist, financial auditing and foreign languages spoken: French, and as international certifications: CIA and executive personnel 1 internal auditor with experience in public internal auditing from 2020 to present, with specialization: specialist in communication, quality auditing, foreign languages spoken: English and French and respectively 1 internal auditor with experience in public internal auditing from 01 April 2023 to present, with specialization: economist, foreign languages spoken: English and French.
3. In the Teletrans subsidiary, the managing person has more than 6 years of experience in internal auditing with specialized economic studies, professional experience in financial management control, more than 17 years of professional experience in financial management - accounting, extensive experience in financial management of infrastructure projects with European funding. They speak English. The executive personnel have up to 4 years of experience in internal auditing, with specialized legal studies and professional experience in public procurement, managerial internal control, and also more than 15 years of professional experience in the legal field, English speaking.

#### **I.4. Ensuring continuous professional development**

##### **❖ NPG CO. "Transelectrica" S.A.**

The participation rate in training is 100%. The average number of training days for each internal public auditor is 15 days, as follows:

- 15 days through training courses;
- 105 days through individual study;
- 0 days through other forms of training.

It is noted that thanks to the individual study of each internal auditor, the minimum professional training requirement stipulated by the relevant legislation<sup>3</sup> (15 days per year) has been met.

##### **❖ NPG CO. "Transelectrica" S.subsidiaries**

1. At OPCOM, the level of participation in training is 100%. The average number of training days carried out during the reporting year was 15 days/person, both for executive and managerial personnel. No problems were encountered during the reporting year in achieving the minimum number of training days required by the regulatory framework.
2. At the SMART level, the participation rate in training is 100%. During the year 2024, taking into account the existing training needs, the main topics for professional development were: professional development in internal audit, managerial internal control, risk management, financial accounting, procurement (products, services, works) and related legislation. The professional training at the level of the internal audit service was realized through 135 days of training courses and 45 days (15 days per person) of individual study on the legal and procedural framework of the audited areas, study of various specialized publications and legislation in the field.
3. At "Teletrans" level, the level of participation in training is 100%. The problems encountered during the reporting year with regard to the achievement of the minimum number of training days due to the complex work in the Internal Audit Department and the small number of internal auditors, the training was carried out through individual study by each CAI employee in the field of internal audit and through a training

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<sup>3</sup> In order to ensure the continuous professional training of each auditor, to maintain and develop their competence, the legislative framework provides for a minimum of 15 days/year for professional development. The identification of training needs has been carried out in correlation with the competence requirements to ensure the achievement of the objectives of the assignments included in the audit plan and in line with legislative changes in the field of audit and internal audit areas.

course by the internal auditor and the executive personnel benefited in addition to 3 days through training courses.

### **I.5. Analysis of the size adequacy of the public internal audit department**

A cumulative interpretation of the articles of the law<sup>4</sup>, shows that the auditable scope must be fully covered within four years, depending on the risks associated with the activities. Thus, the public internal audit structure is organized in such a way that it has the necessary resources to audit, within a four-year period, on the basis of risk analysis, all the activities carried out by the company. In accordance with the applicable regulations, the public internal audit structure is sized (number of auditors, based on the volume of activity and the size of the associated risks) in such a way as to ensure the audit of the activities falling within the scope of public internal audit

❖ NPG CO. "Transelectrica" S.A.

Taking into account the existing personnel resource, i.e. seven existing and occupied positions, the coverage of the auditable area in four years is 60%. In order to comply with the legal provisions and to cover the full (100%) auditable scope within a three-year period, the Public Internal Audit Capability would need a total of 10 filled Public Internal Auditor positions.

❖ At subsidiary level<sup>5</sup> NPG CO. "Transelectrica" S.A.

1. OPCOM - a number of occupied positions exercising public internal audit activity, the coverage of the auditable scope is 100%.
2. SMART - a number of 3 occupied positions, the coverage of the auditable area in 4 years is 100%.
3. TELETRANS - a number of 1 managerial and 1 executive position, the coverage of the auditable area in 4 years is 100%.

### **I.5. Planning of internal audit work carried out in the reporting year**

For the public internal audit function, the planning work is carried out on a multiannual basis, over a 4-year period, but also on an annual basis. The calculation and allocation of resources is only done on the shorter time horizon (1 year).

The planning is based on the assessment of risks related to the activities carried out within the Company and the prioritization of these activities according to the risk score. It is this risk score that will determine when the respective activity will be audited by the public internal audit structure. Given that the risks associated with the activities are generated by the economic and social environment in which the activity is carried out, there is a need to periodically reassess the risks in order to follow their dynamics. In this context, the multiannual public internal audit plan needs to be updated annually and this should form the

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<sup>4</sup> According to Art. (2) of the Law no. 672/2002, the scope of public internal audit encompasses all the activities carried out within public entities in order to achieve their objectives, including the assessment of the managerial control system. According to the provisions of Art. 15 para. (1) of Law no. 672/2002, public internal audit shall be exercised on all activities carried out in a public entity, including the activities of subordinated entities, under the coordination or authority of other public entities. According to the provisions of Art. 15 para. (2) of Law no. 672/2002, the public internal audit structure shall audit, at least once every 3 years, but not limited to, the following:

- a. the financial activities or activities with financial implications carried out by the public entity from the time the commitments are entered into until the use of the funds by the final beneficiaries, including funds deriving from external financing;
- b. payments against budgetary and legal commitments, including from Community funds;
- c. administration of the patrimony, as well as the sale, pledging, concession or lease of goods in the private domain of the state or of the administrative-territorial units;
- d. concession or lease of goods in the public domain of the state or of administrative-territorial units;
- e. the constitution of public revenues, respectively the manner of authorization and establishment of debt instruments, as well as the facilities granted for their collection;
- f. allocation of budget appropriations;
- g. the accounting system and its reliability;
- h. the decision-making system;
- i. management and control systems and the risks associated with such systems;
- j. IT systems.

<sup>5</sup> In order to comply with the legal provisions and to cover the full (100%) auditable scope within a three-year period, the Internal Audit Structure needs a total of 2 filled internal auditor positions (1 internal auditor - head of service and 1 internal auditor - executive position).

basis for the development of the annual public internal audit plan. Also, in order to carry out an informed risk analysis and to reduce the subjectivity of the risk analysis, we consider it necessary to use well-defined risk analysis criteria, with an explanation of the manner in which the risk analysis is actually carried out and the risk score is established.

❖ NPG CO. "Transelectrica" S.A.

NPG CO. "Transelectrica" SA's Multiannual Public Internal Audit Plan for the period 2017 - 2023 has been developed and approved. The Multiannual Internal Public Audit Plan has not been updated, a new Multiannual Plan will be proposed to the Company's management during 2025.

In accordance with the provisions of Law no. 672/2002 republished, with subsequent amendments and additions, public internal auditing is exercised on all activities carried out in an entity, including the activities of subordinated entities. As a result, the existing internal auditors within IPA exercise their internal public internal audit activity on the organizational structures of the Company's Executive, the eight Territorial Transmission Branches and the subsidiaries where there is no internal audit structure. The audit in OPCOM, SMART and TELETRANS subsidiaries is carried out by their own structure, after which the IPA personnel of NPG CO. Transelectrica SA carries out their assessment.

Taking into account the very large number and diversity of activities carried out within the Company, compared to the human resources of the IPA structure and the annual timetable available for public internal audit engagements, as well as the need to carry out evaluation engagements in the subsidiaries, the multiannual plan was drawn up for a period of seven years.

For the breakdown by year of the audited activities, the organizational entities were ranked according to their importance and contribution to the achievement of the main activity objectives of NPG CO. "Transelectrica" SA. Within each structure, the activities carried out were identified and ranked based on the detailed organizational and operating regulations and interviews with the management of the respective entities. The prioritization also took into account the analysis and assessment of the risks associated with each activity. The distribution of these activities by year was done in accordance with International Standards on Auditing and established good practice in this area, with a view to a balanced distribution as far as possible. Thus, each year will be audited mainly high risk activities, but also medium and low risk activities.

The risk analysis criteria used in annual and multi-annual planning are as follows:

- ✓ the likelihood of the risk;
- ✓ the severity of the consequences of the event (level of impact).

At the level of NPG CO. Transelectrica SA, the operational procedure "Internal Public Audit" has been elaborated, which regulates the way in which the multiannual and annual planning is done. This planning is carried out taking into account the structures within the entity.

❖ NPG CO. "Transelectrica" S.A.

1. OPCOM - Specific criteria have been developed to realize the multi-year planning. In this regard, the risk analysis criteria used in the planning process took into account the following elements:

- ✓ the share of risks identified for the activity at structure level;
- ✓ degree of coverage of activities with procedures;
- ✓ methodological amendments following legislative changes;
- ✓ the share of the number of measures to be implemented for risks requiring treatment/mitigation.

At the level of OPCOM SA, an operational procedure has been developed for multi-year and annual planning activities, and this planning is carried out taking into account the structures, processes, activities, projects and operations within the company. In November 2022, the draft of the multi-year internal public audit plan for the period from 2023 to 2025 was prepared. In November 2023, the draft annual plan for the year 2024 was prepared at OPCOM level, endorsed by the Audit Committee and approved by the Board of Directors of OPCOM.

2. SMART - In accordance with the relevant legislation, there is the Multiannual Internal Audit Plan for the period 2024-2026.

The planning was carried out over a period of 3 years (2024, 2025 and 2026) and includes assignments concerning the audit of activities, structures, processes, projects and operations carried out in the company. The selection of the internal audit assignments was based on the risk assessment of the different activities and operations, taking into account the periodicity of the audit every 4 years, the types of audit and the available audit resources.

The development of the multi-annual internal audit plan was achieved through the following steps:

- 1) identification of activities carried out within the company and falling within the scope of internal audit;
- 2) setting risk analysis criteria;
- 3) determining the total risk score for each activity and prioritizing them;
- 4) determining how internal audit assignments should be allocated by year;
- 5) drawing up the multi-annual audit plan.

The operations in points 1) - 3) have been carried out through the preparation of the Annex "Identification of activities, determination of the total risk score and their prioritization for the multi-annual plan 2024-2026".

The 2024 annual internal audit plan included 4 assurance engagements.

3. TELETRANS - In this respect, the risk analysis criteria used in the annual and multi-annual planning were established as follows:

- ✓ Appreciate internal control;
- ✓ Quantitative assessment;
- ✓ Quality assessment;
- ✓ Legislative changes.

At the Teletrans level, the multiannual and annual planning activity is included in the internal audit operational procedure, and this planning is carried out taking into account the structures within the company. The work of the Internal Audit Department within the subsidiary is carried out on the basis of the Annual Internal Audit Plan. The Public Internal Audit Plan for 2024 is based on:

- ✓ The Multiannual Internal Audit Plan 2024 - 2027, based on the risk analysis and forecasts regarding the development/maintenance of the subsidiary's activity;
- ✓ The impact of changes in the internal and external environment in which the subsidiary operates.;
- ✓ Available Time Fund;
- ✓ The human resources involved.

In the Annual Plan for 2024 a number of 4 assurance engagements have been established, respectively:

- ✓ Evaluation of the internal management control system;
- ✓ Audit of the OHS activity;
- ✓ Auditing the financial-accounting activity and performing preventive financial control;
- ✓ Evaluation of human resources activity.

## **I.6. Performing internal audit engagements**

### **I.6.1. Performing assurance engagements**

#### **❖ NPG CO. "Transelectrica" S.A.**

In 2024, a total of 19 public internal audit engagements were performed, of which 2 ad-hoc and 17 assurance (regularity/compliance) engagements. Taking into account that an assurance engagement can address several areas, it was found that in a:

- ✓ no assurance engagement has addressed the budgetary area;
- ✓ 2 assurance engagements addressed the financial-accounting area;
- ✓ an assurance engagement addressed public procurement;
- ✓ 2 assurance engagements addressed human resources;
- ✓ no assurance engagement has addressed IT;

- ✓ no assurance engagement has addressed the legal field;
- ✓ no assurance engagement has addressed the area of EU funds;
- ✓ 12 assurance engagements addressed the scope of entity specific functions;
- ✓ no assurance engagement has addressed the field of SCM/SCIM;
- ✓ No other areas were addressed in any of the assurance engagements.

No irregularities were found during the public internal audit engagements carried out during 2024. During the public internal audit engagements carried out during 2024, 10 recommendations were found to be not implemented <sup>6</sup>.

As regards the follow-up of the implementation of recommendations, this activity refers to the recommendations made by the public internal audit capability during previous assurance engagements and for which the public internal audit capability is required to follow up the implementation. In this context, a total of 89 recommendations were followed up during 2024 with the following results:

- ✓ 33 recommendations implemented, of which:
  - 33 recommendations implemented within the set deadline;
  - 0 recommendations implemented after the deadline;
- ✓ 4 recommendations partially implemented (under implementation), of which:
  - 4 recommendations for which the implementation deadline has not been exceeded;
  - 0 recommendations for which the implementation deadline has been exceeded;
- ✓ 52 recommendations not implemented, of which:
  - 15 recommendations for which the implementation deadline has not been exceeded;
  - 37 recommendations with implementation deadline exceeded, These 37 recommendations are for Formenerg as a result of the audit engagement carried out by the representatives of the IPA structure of Transelectrica, because Formenerg does not have its own internal audit structure.

Field	Number of recommendations implemented		Number of recommendations partially implemented		Number of recommendations not implemented	
	within the set deadline	after the deadline	for which the implementation deadline has not been exceeded	implementation deadline exceeded	for which the implementation deadline has not been exceeded	implementation deadline exceeded
Budget	-	-	-	-	-	-
Financial-accounting	7	-	-	-	-	-
Public procurement	-	-	-	-	3	-
Human Resources	10	-	-	-	2	-
Information Technology	-	-	-	-	-	-
Legal	-	-	-	-	-	-
EU funds	-	-	-	-	-	-
Entity-specific functions	16	-	4	-	12	37
SCM/SCIM	-	-	-	-	-	-
Other areas	1	-	-	-	2	-
TOTAL 1	33	0	4	0	15	37
TOTAL 2	33		4		52	

#### ❖ NPG CO. "Transelectrica" S.A.

In 2024, NPG CO. Transelectrica SA's subordinated entities carried out 13 assurance engagements. Taking into account the fact that several areas can be addressed in an assurance engagement, it was found that in:

- ✓ no assurance engagement has addressed the budgetary area;
- ✓ 4 assurance engagements addressed the financial accounting area;

<sup>6</sup> Recommendations not implemented are recommendations that were included in the final public internal audit report, but for which the head of the public entity did not give his opinion in accordance with the provisions of paragraph 6.6.6. of GD 1086/2013, expressly mentioning this. In accordance with the applicable legislation in force, these recommendations must be brought to the attention of the ACAAPIU, together with the consequences of their non-implementation.

- ✓ 2 assurance engagements addressed public procurement;
- ✓ no assurance engagement addressed the human resources area;
- ✓ no assurance engagement has addressed IT;
- ✓ no assurance engagement has addressed the legal field;
- ✓ no assurance engagement has addressed the area of EU funds;
- ✓ 2 assurance engagements addressed the scope of entity specific functions;
- ✓ 2 assurance engagements addressed the field of SCM/SCIM;
- ✓ an assurance engagement has addressed other areas.

During the public internal audit engagements carried out in 2024, no irregularities were found at the level of the subordinated entities.

Regarding the follow-up of the implementation of recommendations, this activity refers to the recommendations made by the Internal Audit Capability during previous years' assurance engagements, and for which the Public Internal Audit Capability is required to follow up the implementation. In this context, a total of 112 recommendations were followed up during 2024, with the following results:

- ✓ **52** recommendations implemented, of which:
  - 52 recommendations implemented within the set deadline;
  - 0 recommendations implemented after the deadline;
- ✓ **58** recommendations partially implemented (in progress), of which:
  - 58 recommendations for which the implementation deadline has not been exceeded;
  - 0 recommendations for which the implementation deadline has been exceeded;
- ✓ **2** recommendations not implemented, of which:
  - 2 recommendations for which the implementation deadline has not been exceeded;
  - 0 recommendations for which the implementation deadline has been exceeded.

Field	Number of recommendations implemented across all subordinate entities		Number of recommendations partially implemented across all subordinate entities		Number of recommendations not implemented across all subordinate entities	
	within the set deadline	after the deadline	for which the implementation deadline has not been exceeded	implementation deadline exceeded	for which the implementation deadline has not been exceeded	implementation deadline exceeded
Budget	-	-	-	-	-	-
Financial-accounting	8	-	52	-	2	-
Public procurement	2	-	5	-	-	-
Human Resources	2	-	-	-	-	-
Information Technology	3	-	-	-	-	-
Legal	2	-	-	-	-	-
EU funds	-	-	-	-	-	-
Entity-specific functions	8	-	-	-	-	-
SCM/SCIM	12	-	1	-	-	-
Other areas	15	-	-	-	-	-
TOTAL 1	34	-	58	-	2	-
TOTAL 2	52		58		2	

1. OPCOM - a total of 5 assurance engagements were performed in 2024. These public internal audit engagements addressed the following areas (as per UCAAPI methodology):

- ✓ Financial accounting:
  - Assurance engagement on the evaluation of activities in the administration and assets area;
- ✓ Procurement and investment:
  - Assurance engagement on the evaluation of procurement related activities;
- ✓ Human resources:
  - assurance engagement on the evaluation of human resources and payroll activities;
- ✓ The field of company-specific functions:

- Assurance engagement on the assessment of activities relating to the supervision of the functioning of administered markets;
- assurance engagement on the system evaluation of project development and implementation;

During the public internal audit engagements carried out during 2024, no irregularities were found and there were no recommendations not implemented by OPCOM management

As regards the follow-up of the implementation of recommendations, this activity refers to the recommendations made by the public internal audit structure during assurance engagements, including those prior to the reference year, and for which the public internal audit structure is required to follow up the implementation. In this context, we note that during 2024, a total of 3 recommendations were issued, all with implementation deadline in the reporting year. The state of implementation of the recommendations issued during the reporting period is as follows:

Field	Number of recommendations implemented		Number of recommendations being implemented		Number of recommendations not implemented	
	within the set deadline	after the deadline	for which the implementation deadline has not been exceeded	implementation deadline exceeded	for which the implementation deadline has not been exceeded	implementation deadline exceeded
Budget	-	-	-	-	-	-
Financial-accounting	-	-	2	-	-	-
Public procurement	-	-	-	-	-	-
Human Resources	1	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Legal	-	-	-	-	-	-
EU funds	-	-	-	-	-	-
Entity-specific functions	-	-	-	-	-	-
SCM/SCIM	-	-	-	-	-	-
Other areas	-	-	-	-	-	-
<b>TOTAL 1</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL 2</b>	<b>1</b>		<b>2</b>		<b>-</b>	

## 2. SMART

A total of 4 assurance assignments were performed at SMART SA level in 2024. Taking into account the fact that several areas can be addressed in one assurance engagement, it was found that in:

- ✓ 2 assurance engagements addressed the financial-accounting area;
- ✓ an assurance engagement addressed the area of procurement;
- ✓ an assurance engagement addressed the field of SCM/SCIM

No irregularities were found during the internal audit engagements carried out during 2024. All recommendations have been appropriated. Concerning the follow-up of the implementation of recommendations from previous years, i.e. 2021, there were a total of 3 recommendations, respectively:

- ✓ 1 recommendation implemented, of which:
  - 1 recommendation implemented on time.
- ✓ 2 recommendations partially implemented (under implementation), of which:
  - 0 recommendations for which the implementation deadline has not been exceeded;
  - 2 recommendations for which the newly agreed implementation deadline has not been exceeded.

A total of 31 recommendations were tracked for 2022 with the following results:

- ✓ 2 recommendations implemented, of which:
  - 2 recommendations implemented within the set deadline.
- ✓ 29 recommendations partially implemented (under implementation), of which:
  - 0 recommendations for which the implementation deadline has not been exceeded;
  - 29 recommendations for which the newly agreed implementation deadline has not been exceeded.

A total of 16 recommendations were followed up during 2023 with the following results:

- ✓ 3 recommendations implemented, of which:
  - 3 recommendations implemented within the set deadline;
- ✓ 13 recommendations partially implemented (in progress), of which:
  - 13 recommendations for which the implementation deadline has not been exceeded;

In this context, a total of 17 recommendations were followed up during 2024 with the following results:

- ✓ 5 recommendations implemented, of which:
  - 5 recommendations implemented within the set deadline;
- ✓ 12 recommendations partially implemented (in progress), of which:
  - 11 recommendations for which the implementation deadline has not been exceeded;
  - 1 recommendation for which the newly agreed implementation deadline has not been exceeded.

Field	Number of recommendations implemented		Number of recommendations partially implemented		Number of recommendations not implemented	
	within the set deadline	after the deadline	for which the implementation deadline has not been exceeded	for which the implementation deadline has been exceeded	for which the implementation deadline has not been exceeded	for which the implementation deadline has been exceeded
Budget	-	-	-	-	-	*
Financial-accounting	6	-	50	-	-	-
Public procurement	-	-	5	-	-	-
Human Resources	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Legal	-	-	-	-	-	-
EU funds	-	-	-	-	-	-
Entity-specific functions	-	-	-	-	-	-
SCM/SCIM	5	-	1	-	-	-
Other areas	-	-	-	-	-	-
<b>TOTAL 1</b>	<b>11</b>	<b>-</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL 2</b>	<b>11</b>		<b>56</b>		<b>*</b>	

3. TELETRANS - in the year 2024, a total of 4 assurance engagements were performed. Taking into account that several areas can be addressed in one assurance engagement, it was found that:

- ✓ 0 assurance engagements addressed the budgetary area;
- ✓ an assurance engagement addressed the financial-accounting area;
- ✓ 0 assurance engagements addressed public procurement;
- ✓ an assurance engagement addressed the area of human resources;
- ✓ 1 assurance engagements addressed IT;
- ✓ 1 assurance engagements addressed the legal field;
- ✓ 0 assurance engagements covered the area of EU funds;
- ✓ 0 assurance engagements addressed the scope of entity specific functions.
- ✓ an assurance engagement addressed the field of SCM/SCIM;
- ✓ 0 assurance engagement addressed the area of corruption prevention;
- ✓ An assurance engagement has addressed other areas.

No irregularities were found during the internal audit engagements carried out during 2024. There were no instances of unsubstantiated recommendations made by subsidiary management.

Regarding the follow up of the implementation of recommendations, a total of 42 recommendations were followed up during 2024 with the following results:

- ✓ 40 recommendations implemented, of which:
  - 40 recommendations implemented on time;
  - 0 recommendations implemented after the deadline;
- ✓ 0 recommendations partially implemented (under implementation), of which:
  - 0 recommendations for which the implementation deadline has not been exceeded;
  - 0 recommendations for which the implementation deadline has been exceeded;

- ✓ 2 recommendations not implemented, of which:
  - 2 recommendations for which the implementation deadline has not been exceeded;
  - 0 recommendations for which the implementation deadline has been exceeded.

The objective of the follow-up of recommendations is both to ensure that the recommendations set out in the internal audit report are implemented in a timely and effective manner and to assess the consequences of non-implementation. Following the submission of the auditee's Action Plan for the implementation of recommendations, internal auditors verify the timely implementation of recommendations by updating the Recommendation Implementation Tracking Sheet, as reported to the auditee or by the checks performed. The materialization of this action entails the preparation of a half-yearly report on the status of implementation of the recommendations made in the internal audit reports.

Domain	Number of recommendations implemented		Number of recommendations partially implemented		Number of recommendations not implemented	
	within the set deadline	after the deadline	for which the implementation deadline has not been exceeded	for which the implementation deadline has been exceeded	for which the implementation deadline has not been exceeded	for which the implementation deadline has been exceeded
Budget	-	-	-	-	-	-
Financial-accounting	2	-	-	-	0	-
Public procurement	2	-	-	-	0	-
Human Resources	1	-	-	-	0	-
Information Technology	3	-	-	-	0	-
Legal	2	-	-	-	0	-
EU funds	-	-	-	-	-	-
Entity-specific functions	8	-	-	-	0	-
SCM/SCIM	7	-	-	-	0	-
Other areas	15	-	-	-	0	-
<b>TOTAL 1</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL 2</b>	<b>40</b>		<b>0</b>		<b>0</b>	

## I.6.2. Implementation of advisory engagements in 2024

### ❖ NPG CO. "Transelectrica" S.A.

There were no formalized advisory engagements in 2024. However, the Internal Public Audit structure provided advice throughout the year to those who requested it. Thus, during the engagements carried out, clarifications were provided on various legal provisions and/or operational procedures in force. The internal auditors also responded promptly to various requests for clarifications from subsidiaries or organizational entities within the Company.

### ❖ NPG CO. Transelectrica S.A.

1. OPCOM - no formalized advisory engagements were carried out.
2. SMART - no formalized advisory engagements were carried out.
3. TELETRANS - no formalized advisory engagements were carried out

## I.6.3. Carrying out engagements to assess the internal audit activity

### ❖ NPG CO. "Transelectrica" S.A.

No evaluation engagements were carried out in 2024.

### ❖ NPG CO. "Transelectrica" S.A.

This was not the case.

## I.7. Conclusions

### I.7.1. Conclusions on the public internal audit activity carried out at NPG CO. "Transelectrica" S.A.

The public internal audit, through the activities it carries out, adds value both by assessing the internal control system and analyzing the risks associated with auditable activities, and by the recommendations contained in the report drawn up and forwarded in order to ensure that the Company's objectives are achieved. These recommendations led the audited structures to refine their activities and improve their

internal control system, so that significant progress has been noted from one audit to another. Follow-up activities are oriented towards the added value created by public internal audit in supporting the achievement of the Company's objectives. Taking into account the involvement of the personnel of the audited structures and their managers in the actions to implement the recommendations issued, it can be said that the public internal audit has supported the personnel by reviewing the way of working and application of legal provisions, better organization of work and permanent cooperation in making the work performed more efficient.

The implementation of the recommendations made during all public internal audit engagements carried out during 2024 focused on and led to:

- ❖ more effective knowledge and application of legislation, procedures and instructions related to audited activities;
- ❖ identification and correction of sanctionable deficiencies by external control bodies;
- ❖ eliminating negative aspects of the audited activities in order to reduce the conditions under which risks may arise;
- ❖ greater attention to the application of the regulations in force concerning human resources activity;
- ❖ greater attention to compliance with the regulations in force concerning the Company's activity ;
- ❖ improving the way contract officers follow up on contract clauses and their attitude in the event of non-compliance by contract partners;
- ❖ increasing communication between the Company's entities;
- ❖ improving the internal control system of the audited entities and activities.

#### **1.7.2. Conclusions related to the public internal audit activity carried out within the Company's subsidiaries**

OPCOM	The internal audit structure was functional. The Internal Audit Office employs two full-time personnel who have completed the minimum number of training days required by the regulatory framework, i.e. 15 days of self-training. The activities carried out at the level of the structure responsible for public internal audit are proceduralized and comply with the methodology of public internal audit, the specific rules of activity and the Charter of Internal Audit are applied, documents endorsed by Transelectrica and approved by the General Manager. The annual public internal audit plan for the year 2024 has been fully realized. The planned public internal audit assignments were completed within the deadlines established in the annual activity plan. In the internal audit work, the personnel of the Internal Audit Office took into account the alignment between the main risks faced by the audited structures and the level of effort that internal audit puts in relation to possible vulnerabilities that may influence the achievement of their objectives
SMART	The internal audit activity has contributed to adding value to the subsidiary through the recommendations made through the engagements carried out. These recommendations led the audited structures to improve their activities, internal communication and the internal management control system. Thus, from one audit to the next, progress and an increase in the degree of revision of internal procedures and rules in line with the latest legislative changes with adaptation and practical applicability were noted. Both in the opinion of the auditor and the management of the subsidiary, the improvement of the quality of internal control was appreciated, promoting the achievement of its objectives, intensifying control, safeguarding the assets of the subsidiary and recommending improvements based on risk analysis and a systematic approach.
TELETRANS	The engagements carried out by the subsidiary's audit structure were aimed at formulating recommendations to remove dysfunctions and improve the activities of the audited entities, so that their efficiency may increase, which will ultimately contribute to

the achievement of the objectives set by the company. Management's awareness of the need to strengthen the internal audit was materialized by the approval without objections of the reports of the internal audit assignments carried out during 2024.

## I.8. Proposals to improve public internal audit activity

### Transelectrica



- Providing highly qualified personnel to audit all activities carried out in the Company, as required by Law 672/2002 on public internal audit;
- Ensuring a salary level for internal auditors in line with the hierarchy of this position within the Company's salary system;
- Conducting regular meetings or discussions of internal auditors with the top management of the Company, in order to clarify operationally certain problems that have arisen as well as the expectations of the top management regarding the internal public audit activity;
- Permanent increase in the professional quality of human resources. As a consequence, professional training will be envisaged for IPA personnel, both through participation in professional development courses and through self-education, by covering topics appropriate to the professional level;
- Reaffirmation, in the Company's line management working meetings, of the function and role of internal audit in the achievement of top management objectives

### OPCOM



- As mentioned in the previous chapters, the main action to improve the internal public audit activity at the subsidiary level is related to increasing the professional quality of human resources.
- As a consequence, in 2025, professional training will be envisaged for the personnel of the Internal Audit structure, both by attending accredited courses in the field of public internal auditing and by self-training, by going through topics appropriate to the professional level, approved by the Head of the Internal Audit Office, in accordance with the Quality Assurance and Improvement Program ("QAIP").

### SMART



- The improvement of the internal audit activities will be based on the improvement of the activity through complex training programs on specific areas of economic activity and forms of organization, as well as a close cooperation with the Internal Audit structure of Transelectrica

### TELETRANS



- Maintaining an adequate professional training of internal auditors, which involves attending professional training courses given by specialists in the field.
- The improvement of the internal audit activity is aimed at the content of the procedural framework, as well as the development of a permanent professional collaboration, from a methodological and guidance point of view, between the internal auditors of Teletrans and Transelectrica auditors

## II. Report regarding the risk management and performance monitoring process of NPG CO. "Transelectrica" S.A. in 2024

### II.1. Organizational risk management framework

In accordance with the legislation in force, namely the *SGG Order no. 600/2018 on the approval of the Code of internal managerial control of public entities*, within NPG CO. "Transelectrica" S.A., in 2024, the organizational and operational framework necessary for the implementation and development of the internal managerial control system was consolidated, based on:

- ✓ Internal Procedure: Risk Management, Edition 1, Revision 1;
- ✓ The composition, tasks and responsibilities of the Enterprise Risk Management Team (EMRC); The Risk Management and Control Group (RMG) is constituted within the EMRC; The Deputy Chief Inspector Risk

Management of the Critical Infrastructures Department is the Chair of the EMRC; In order to ensure effective risk management at all levels of the Company, the heads of the Company's organizational entities (units, directorates, departments, territorial transport units) have designated a risk officer at their level, who is a member of the Company-wide Risk Management Team (EMRC);

- ✓ *Rules of Organization and Functioning of the Company's Internal/Managerial Control Monitoring Commission;*
- ✓ Composition of the Monitoring Commission for the implementation of the Internal/Managerial Control System (CM SCIM) within the Company.

The Managerial Control Monitoring Committee coordinates the process of updating the general and specific objectives of the procedural activities, the risk management process, the performance monitoring system, the status of the procedures and the monitoring and reporting system to the Company's management. Risks related to activities are identified and assessed at the level of each organizational entity in the Company (directorate, department, Territorial Transmission Branches), in accordance with the elements in the *Risk Register*; significant risks (major, representative risks that may affect the entity's ability to achieve its objectives) are centralized at the level of the Integrated Management - Risk Management Department in the *Company-wide Risk Register*. The Monitoring Committee analyzes and prioritizes the significant risks that may affect the achievement of the Company's objectives, by establishing the risk profile and risk tolerance limit on an annual basis.

Based on the *Company's Risk Register*, the Chair of the Risk Management Team proposes the risk profile<sup>7</sup> and the risk tolerance limit<sup>8</sup>, which are analyzed and endorsed by the Monitoring Committee and approved by the Company's Directorate. Together with the *Risk Register*, the heads of the Company's organizational entities<sup>9</sup> submit the control measures for significant risks to the Chairman of the Company's Risk Management Team, who annually draws up the *Implementation Plan for the control measures for significant risks at the Company level*. The Plan is reviewed by the Monitoring Committee and approved by the Company's Directorate.

The Technical Secretariat of the Monitoring Committee forwards the approved Action Plan to those responsible for significant risk management for implementation. Based on the *annual reports* on the conduct of the risk management process and performance monitoring at the organizational entity level (reports submitted by the heads of the organizational entities), the Chairman of the Company's Risk Management Team at the level of the Company prepared a Report on the conduct of the risk management process, based on the annual reports of the heads of the Company's organizational entities (directorates, departments, Territorial Transmission Branches). The Report on the conduct of the risk management process at the level of the Company was submitted to the Monitoring Committee for analysis and subsequently submitted to the Chairman of the Monitoring Committee and to the Company's Directorate for approval.

From the Report on the risk management process at the level of NPG CO. "Transelectrica" S.A. in 2024, we present below the analysis of risks identified and managed at the level of the organizational entities of the Company (directorates, departments, Territorial Transmission Branches)

Within Transelectrica, the risks that could have a substantial impact on the achievement / fulfillment of the Company's objectives are managed in accordance with the operational procedures specific to the current activities as well as the specific *Risk Management* procedure. Thus, continuous improvement is ensured in the way in which the steps related to the risk management process are carried out, i.e. identification, assessment, establishment of the management strategy, monitoring of the implementation of control measures and periodic reporting, as follows:

- ✚ identification of risks closely linked to the activities related to the specific objectives, the achievement of which could be affected by the materialization of risks; identification of threats / vulnerabilities present in the current activities, which could lead to the non-achievement of the proposed objectives;

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<sup>7</sup> a table containing a documented and prioritized overall assessment of the range of specific identified risks faced by the organizational entity

<sup>8</sup> the amount of risk the organizational entity is prepared to tolerate at any given time

<sup>9</sup> Directorates, Departments, Territorial Transmission Branches

- ✚ risk assessment, by estimating the likelihood of materialization, the impact on activities related to the achievement of the objectives, should they materialize; prioritization and prioritization of risks according to risk tolerance;
- ✚ setting the risk management (risk response) strategy by identifying the most appropriate ways of dealing with risks, including control measures; analyzing and managing risks against the approved risk tolerance limit;
- ✚ monitoring the implementation of control measures and reviewing them according to the effectiveness of their results;
- ✚ regular reporting on the risk situation shall be carried out as often as necessary or at least once a year, i.e. if risks persist, depending on the emergence of new risks, the effectiveness of control measures taken, the reassessment of existing risks, etc.

The procedure provides NPG CO. "Transelectrica" SA personnel with a working tool that facilitates risk management in a methodical and efficient way, in order to fulfill the Company's objectives. On the basis of the procedure the documentation on risk management that may affect the activity of NPG CO. "Transelectrica" SA is prepared annually, which also contains the description of ways in which the control measures are established, implemented and monitored, aimed at limiting the possible threats and consequences arising in case of risk materialization. Each organizational entity shall systematically analyze, at least once a year, the risks related to the conduct of its activities and develop appropriate plans to mitigate the possible consequences of the occurrence of risks. The management of each organizational entity shall appoint a risk officer, who shall ensure the annual preparation of the documents Risk Register, Action Plan, Annual Report, the completion of risk tracking sheets whenever deemed necessary and the preparation of risk alert forms, when a new risk occurs.

In 2024, the main documents related to risk management activity to facilitate the achievement of the Company's objectives, in conditions of economy, efficiency, effectiveness and fulfillment of legal requirements were:

- ✓ *Risk Register 2024 for significant risks identified in the Company;*
- ✓ *REPORT on the risk management process and performance monitoring at NPG CO. "Transelectrica" S.A. 2023;*
- ✓ *Prioritization of Significant Risks at Company level;*
- ✓ *2024 Implementation plan of control measures for significant risks at Company level;*
- ✓ *Internal reporting for the preparation of annual periodical reports, including non-financial reports, prepared based on the requirements of the capital market legislation, non-financial reports and ANRE regulations.*

In accordance with the internal regulations, the Chairman of the Risk Management Team at Company level initiated the preparation of the annual reporting at Company level, requesting the heads of the organizational entities, the documents prepared and approved at organizational entity level. Based on the information received, the following documents were prepared:

- ❖ *Risk Register 2025 for significant, high and medium risks identified in the Company;*
- ❖ *Risk Register 2025, NPG CO. "Transelectrica" S.A., for significant, high risks at Company level*
- ❖ *2025 Control Measures Implementation Plan for significant high risks at Company level;*
- ❖ *The implementation plan of control measures 2025 for significant, high and medium risks at the Company level, which together with the Report on the preparation of the "NPG CO. "Transelectrica" S.A. Risk Register, 2025" and the "Implementation Plan of control measures, 2025" for significant risks at the Company level, were submitted to the approval of the Directorate.*

## **II.2. Analysis of risks related to activities - in 2024**

In the process of updating the risk register at Company level, the risk exposure for residual risks<sup>10</sup>, compared to the previous assessment, was found to remain generally at the same level.

The risks identified in previous years are well under control; however, risk exposures related to investment and acquisition activities remain high.

Some risks have been reformulated in order to better correlate with Transelectrica's objectives and approved documents.

#### **II.2.1. Materialized risks related to activities in 2024**

- ❖ Risks identified within organizational entities, risks that require the involvement of other organizational entities for effective management:
  - Actions on the identification of specific data security risks from a Personal Data Protection point of view have been implemented in the revision of the internal procedure - Risk Management, Edition 1, Revision 1.
- ❖ In the annual reports on the risk management process, prepared and approved at the level of each organizational entity, it was reported that the identified risks are maintained at a high level, as follows:
  - Significant risks
    - Shortcomings in recruitment, training and motivation of personnel; impairment of the health and safety of personnel
    - Cumbersome procurement process leading to incomplete implementation of ETG Maintenance Program
    - Cumbersome procurement process leading to under-achievement of the Annual Investment Program in terms of quantity or quality
    - Exceeding work deadlines or poor quality of works;
    - The forecast risk is a hazard risk, it is related to external events: unexpected changes in weather conditions or situations in the RET.
    - The price risk is a financial risk caused by the unpredictability of the energy market, thus it may lead to cost increases associated with the Technological Own Consumption (OTC), as well as to cost increases incurred by the purchase of electricity needed to supply the Company's stations and premises. In order to limit this risk, electricity was purchased for the OTC on the basis of the mechanism established by GEO No. 153/2022, and electricity was purchased for TEL's premises and stations at the price capped by Law No. 357/2022 for the approval of GEO No. 119/2022 for the amendment and completion of GEO No. 27/2022. At the same time, bilateral/forward/regulated market contracts (OPCOM; BRM) have been/will be concluded for the coming year.
    - The risk of non-collection is a financial risk caused by non-compliance with the contractual terms regarding the payment of invoices by contractual partners. In this respect, in order to limit as much as possible the materialization of the risk of non-recovery, DPE has applied the provisions of the legislation and of the Operational Procedures as regards the obligation to constitute financial guarantees when concluding contracts/agreements, the enforcement of financial guarantees in case of non-payment, the termination of contracts and agreements, the recovery of outstanding debts in court. At the same time, the provisions of the Operational Procedure "Establishment of financial guarantees in the framework contracts for the provision of the electricity transmission service and the system service", revised and approved by the Regulatory Authority, are applied in order to limit the risk of non-collection of the value of the service provision for the beneficiaries
    - Legislative (regulatory) risk is a risk driven by legislative changes (primary and secondary legislation). In the case of changes made by the Regulator several times during the course of a year, these may be reflected in price risk, non-collection risk and in the strategy for dealing with these risks.
    - Human risk is a risk caused by human errors (errors occurring in human-computer interaction, repeatability of operations). As regards the human risk caused by human errors, additional checks, the use of dedicated

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<sup>10</sup> the risk remaining after the risk response has been established and implemented

macros and software - where possible, control keys implemented within the macros/software and the conclusion of risk externalization insurance are proposed to limit its effects.

- Non-functioning of TEL website for transparency/publication of information of interest to investors.
- Failure to provide information/failure to comply with reporting deadlines, where applicable as soon as practicable, but no later than 24 hours after the occurrence of the event /48h/ 3 days, days directly concerning TEL, in order to fulfill continuous disclosure obligations under capital market legislation and TEL's operational procedures.

Managed risks have been reviewed at the end of 2024 and have been included in the "RISK REGISTRY". The status of the actions established to control the risks is presented in the document "Plan of implementation of control measures". As a result of the reorganization and modification of the Company's organizational and functional structure, the low risk "Conducting recovery activity with the risk of receiving fines/penalties", which was included in the previous Risk Register, was eliminated.

### **II.2.2. Main risks identified at Company level**

- **Technical and operational/strategic risks**
  - ✓ Loss of SEN stability
  - ✓ Damage to installations and equipment; Damage / breakdown / unavailability
    - 220 kV and 400 kV,
    - primary switchgear in transformer substations,
    - transformer units and/or compensation coils,
    - protection and automation systems,
    - Command Control Control Monitoring Systems (CCS),
    - domestic direct and alternating current service installations,
    - fire prevention and extinguishing installations,
    - communications / telecommunications systems.
  - ✓ Malfunctions of systems and platforms used in operational management, communications and telecommunications
  - ✓ Incomplete implementation of the ETG Maintenance Program
  - ✓ Achievement of the Annual Investment Program below the programmed quantitative and qualitative levels
  - ✓ Failure to meet legal requirements
- **Financial and market risks**
  - ✓ Interest rate risk
  - ✓ Currency risk
  - ✓ Risk related to provisions in financing agreements
  - ✓ Liquidity risk
  - ✓ Counterparty risk
  - ✓ Financial and energy market risks
  - ✓ Price risk
  - ✓ Risk of non-payment
- **Risks related to non-compliance with legal requirements/ non-compliance with EU regulations** - licenses, contractual risks, including fines from authorities or compensation payments.
- **Security risks**
  - ✓ Breaches in ensuring the security and protection of critical infrastructures NCI/CI&CI and ensuring business continuity in emergency situations,
  - ✓ Failure to ensure the security of classified information,
  - ✓ Failure to secure and protect cyber infrastructures.

- **Personnel-related risks**
  - ✓ Difficulties in recruitment, professional training, shortage of personnel with quality specialized training, personnel motivation,
  - ✓ Impairment of the health and safety of personnel
- **Environmental risks**
  - ✓ Failure to protect the environment
  - ✓ Releases / spills of substances harmful to the environment (smoke, SF6, oil, fuels, etc.)

Since the basic activity of NPG CO. "Transelectrica" S.A., through its Territorial Transmission Branches and DEN, is to ensure the continuous operation and operational management of the National Electricity System (NES), according to the quality, safety and efficiency standards set out in the Technical Code of the ETG and the European and national regulations in force, priority and special attention was given to the safety and health criteria of employees, as well as to the continuity of strategic functions for the NES, as system operator and electricity transmission operator. From the technical point of view, given the uncertainties regarding the evolution of the system and the economic/climatic framework, robust and flexible solutions are being sought to cope with several possible scenarios, thus minimizing risks.

### **II.2.3. The resulting risk profile and proposed risk prioritization and tolerance limits**

At the organizational entity level (directorate, department, Territorial Transmission Branches), for each risk, the exposure has been assessed, both as INHERENT risk<sup>11</sup> and as RESIDUAL risk<sup>12</sup>, assessments included in the Risk Register at the organizational entity level.

- ✓ The Summary of Identified Risks in the EXECUTIVE comprises 126 identified risks, with inherent and residual exposure values as follows
  - Inherent risks: low 61 and significant 65; of the significant, 38 are medium and 27 high.
  - Residual risks: 81 low and 45 significant, of which 39 medium and 6 high.
- ✓ The Summary of Risks Identified in the Territorial Transmission Branches includes 15 similar risks identified, with inherent and residual values.
  - Inherent risks: low 38 and significant 82; of the significant, 81 are medium and 1 high.
  - Residual risks: 115 low and 5 significant, of which 5 medium and 0 high.

### **II.3. Keeping risks under control. Actions**

The actions established to control the risks for the year 2024 have been included in the document *Plan of implementation of control measures for significant risks*, prepared at the level of each organizational entity within the Company. *The Implementation Plan for control measures* was prepared at the Company level. The status of its fulfillment is monitored as part of the guidance and control actions of the Risk Management and Control Group.

The actions taken to control risks, mainly in 2024, have reduced the likelihood of materialization and the impact of the risk compared to the level of inherent risks.

The materialized risks have been dealt with in accordance with the adopted strategy imposed by the circumstances that led to the risk.

Setting the risk management strategy involves:

1. risk acceptance,
2. risk monitoring,
3. treating the risk for elimination/mitigation to an acceptable level through measures,
4. externalization of risk through: insurance, outsourcing, other third party contracts

For risks with minor impact no special monitoring, treatment or externalization measures have been taken, the consequences of their materialization being removed in the current maintenance and remediation processes. Each organizational entity (Directorate, Department, Territorial Transmission Branch) has

<sup>11</sup> exposure to the risk of failure to meet objectives in the absence of any action that could be taken to reduce its likelihood and/or impact

<sup>12</sup> the exposure to the risk to the achievement of objectives that remains after the risk treatment measures have been established and implemented

identified the most appropriate and feasible risk treatment/monitoring actions, in accordance with its risk management responsibilities, in order to achieve the lowest possible risk exposure values in the given internal and external context.

Measures have also been taken to externalize risk, an eloquent example being the conclusion of insurance contracts at Company level, such as:

- ✓ Building, property and equipment insurance services;
- ✓ Voluntary health insurance services for NPG CO. Transelectrica SA personnel;
- ✓ RCA and CASCO insurance services for vehicles owned by the Company;
- ✓ Professional indemnity insurance services for members of the Supervisory Board and the Directorate.

Mostly, counter-risk strategies consisted of:

1. addressing significant risks to mitigation to an acceptable level through measures
2. monitoring significant risks.

The strategies are described in the Transelectrica Risk Register for significant risks.

Among the implementation/internal control tools used, we mention:

- measures under procurement / maintenance / investment / personnel training programs;
- dedicated measures to identify, monitor, treat or outsource risks;
- insurance contracts that are carried out by the Company;
- contractual provisions (relating to performance guarantee-GBE, penalties);
- developing or revising procedures;
- change of procedural and structural organization;
- performance indicator attached to the objective;
- redeployment of personnel;
- setting up or updating databases.

The control measures are fully implemented or under implementation.

For the year 2025, the actions established to control the risks are contained in the document *Plan for the implementation of control measures 2025, for the significant risks at Company level*, approved by the Directorate. It includes for each risk: causes, estimation of inherent risk (probability and impact), control measures - prevention, with deadlines and persons responsible, consequences, control measures to limit the consequences, with deadlines and persons responsible, estimation of residual risk (probability and impact), entities managing the risk.

The risk management activity in 2024 was properly carried out on a Company-wide basis, in full and timely compliance with legal requirements and internal regulations. However, for major risks related to delays in the achievement of the *Annual Sector Procurement Program*, it is necessary to identify and implement radical measures and use all legal levers to make it possible to increase the degree of achievement of these programs.

To streamline the risk management process, it is recommended:

- ✚ the rationale for the activities/projects proposed for inclusion in the annual investment, procurement and maintenance programs should also include risk management aspects - which risks of the Company are mitigated and the estimation of the effects - on the change of the impact and likelihood of occurrence of the respective risks; these aspects will also be included in the reporting on the implementation of the annual programs;
- ✚ identification of significant risks that cannot be managed through investment, procurement and maintenance activities, for which action plans for monitoring, addressing or outsourcing these risks (together with related financial proposals specifically dedicated to these activities) need to be prepared;
- ✚ reports (summary) on the implementation of the annual investment, procurement and maintenance programs should be submitted to the Chairman of the Company Risk Management Team for his knowledge and for the purpose of monitoring the manner in which risks are being kept under control;

- ✚ identification of interdependencies - which other organizational entities may induce risks in the activity of an organizational entity; which other organizational entities may be affected if risks materialize in the activity of an organizational entity;
- ✚ alignment of the operational procedure and other internal regulations, as well as the use of consistent terminology, to ensure that the current working methods comply with the applicable legislation.

Prepared by the **Audit Committee and the Risk Management Committee of the Supervisory Board**

**Audit Committee of the Supervisory Board**, consisting of:

Chairperson of the Audit Committee:	–	Luminița ZEZEANU	_____
Member of the Audit Committee	–	Teodor ATANASIU	_____
Member of the Audit Committee	–	RUSU Rareș Stelian	_____
Member of the Audit Committee	–	Costin-Mihai PĂUN	_____
Member of the Audit Committee	–	VASILESCU Alexandru-Cristian	_____

**Risk Management Committee**, consisting of

Chairman for Risk Management :	–	ATANASIU Teodor	_____
Member for Risk Management	–	VASILESCU Alexandru-Cristian	_____
Member for Risk Management	–	DASCĂL Cătălin-Andrei	_____
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