

***REGULATION
OF
CORPORATIVE
GOVERNANCE
for
- CNTEE TRANSELECTRICA
SA -***

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1. INSTEAD OF INTRODUCTION...

CNTEE Transelectrica SA (**'Company'**) is the transmission and system operator of Romania, playing a key role on the Romanian electricity market. It manages and operates the power transmission system and provides electricity exchanges between the countries of Central and Eastern Europe, in its capacity of ENTSO-E member (European Network of Transmission and System Operators of Electricity). It is responsible for electricity transmission, system and market operation while providing safe running of the Romanian Power System (SEN).

The Company mission consists in ensuring the operation of the National Power System under maximum safety and stability conditions, observing the quality standards and thus providing the infrastructure of the national electricity market, while also granting regulated access to the electricity transmission system under transparent, non-discriminating and equidistant terms for all market participants.

Once its shares have been listed on the Bucharest Stock Exchange (BVB) the Company appropriated the Corporate Governance Code principles of the BVB. The Company, in its capacity of listed company, aims at applying not only the transparency legislation and standards but also the best corporate governance practice, with a view to institute long term respectful and trustful relationships with its shareholders and investors.

In 2014 the Company also became member of the American Chamber of Commerce from Romania (AmCham), thus adhering to AmCham's Corporate Governance Code and anti-corruption principles.

The Corporate Governance Regulation represents an extremely important instrument for the Company and it is especially meant to gather in just one document, in synthetic form, the main existing rules and regulations that are already applied by the Company.

All the documents taken into account when elaborating this Regulation are at the shareholders' disposal on the site www.transelectrica.ro, as follows:

- The Articles of Association updated on 23 March 2015 under Decision 2/2015 of the Shareholders' General Extraordinary Assembly;
- Organisation and Operation Regulation of CNTEE Transelectrica SA;
- Operation regulations of Consultative Committees;
- Ethical Code;
- Corporate Social Responsibility Policy of CNTEE Transelectrica SA

This document has been elaborated in accordance with the principles set in the Corporate Governance Code of the BVB and it can be found on the site www.transelectrica.ro in the Investor Relations / Corporate Governance / Company's Corporate Governance Code section.

2. MANAGERIAL SYSTEM

CNTEE Transelectrica SA is Romanian legal person, constituted as joint-stock company owned publicly and it operates in accordance with the applicable Romanian legislation, the provisions of the Articles of Association and the internal regulations.

The Company is managed under two-tier system by the Directorate, supervised by the Supervisory Board.

The Company selected this option because the clear separation was required between the administrative / managerial activities from the control ones, both when setting responsibilities and when enhancing the authority and decisional power over resources.

Directorate

The Company governance is an exclusive task of the Directorate that carry out the necessary useful deeds in order to fulfil the Company business, except for what has been legally reserved on behalf of the Supervisory Board (CS) and the Shareholders' general assembly (AGA).

The Directorate exercise their attributions under the Supervisory Board's control. The CS determines the number of Directorate members, which varies between 3 and 7 members, but always an odd number. The Supervisory Board again attribute the position of Directorate chairperson to one Directorate member (alternatively called also Executive Director General or Chief Executive Officer – CEO). Directorate members are natural persons and cannot be simultaneously CS members. Directorate members are recalled by the CS.

Supervisory Board

Supervisory Board members are appointed and recalled by the Shareholders' general ordinary assembly, while observing the provisions applicable to Companies admitted for transaction. The number of CS members, set in the Articles of association, is 7, and one of them is elected CS chairperson. The mandate of CS members lasts for 4 years, unless the AGA decision determines a smaller term. They cannot simultaneously be Directorate members or Company employees.

CS members should be independent.

3. SHAREHOLDERS

3.1. Shares

Company shares are ordinary nominative indivisible and have been issued in dematerialised freely transferable form since 29.08.2006, date when they were admitted for transaction on the regulated market managed by the Bucharest Stock Exchange (BVB) under the symbol TEL (www.bvb.ro).

Shares are 10 Lei nominal value each.

Shares are recorded by an independent registration company, the Central Depository (www.depozitarulcentral.ro), licensed by the Financial Supervision Authority (ASF) (www.asf.ro).

Shares can be burdened by usufruct rights or mortgaged, under legal terms.

The Company can reclaim its own shares under legal terms.

3.2. Rights of shareholders

The Company respects all the rights of the holders of issued financial instruments and provides them with fair treatment, while permanently striving to provide effective active and transparent communication with a view to exercise the rights in fair manner.

Each share subscribed and paid by shareholders, of the same kind and class, certifies the rightful adhesion to the Articles of Association and provides equal rights to the holders, as follows:

- a) The right to participate to the AGA
- b) The voting right at the AGA (one share = one vote);
- c) The right to elect and be elected in the Company's governance structures;
- d) The right to participate into profit distribution (the right to dividend);
- e) The preference right upon subscription, under legal terms, proportionally to the share percentage in the Company that confers to the shareholder the possibility to subscribe in priority for the newly issued shares and protects him/her from the quota dilution risk in the share capital held before increase;
- f) The right to participate to the patrimonial asset distribution in case of Company liquidation;
- g) The right to be informed;
- h) The right to contest in court AGA decisions;
- i) The right to withdraw from the Company, in clearly set circumstances;

Certain rights can be exercised only by shareholders that have a certain quota of the share capital, as follows:

- a) Rights acknowledged to the shareholders representing, individually or jointly, at least 5% of the share capital:
 - o The right to request AGA convening;
 - o The right to ask new items to be introduced into the agenda of the AGA;
 - o The right to submit draft decisions under the items included or proposed to be included in the AGA agenda;
 - o The right to have his/her complaint to internal auditors verified;
 - o The right to initiate in his/her own name, but on behalf of the Company, the liability act against the founders, administrators, directors and financial auditors, in case such liability act has not been introduced by AGA;
- b) Shareholders representing at least 5% of the Company's share capital will exercise the rights ensuing from their holding Company shares while observing the provisions of the Electricity and natural gas law 123/2012 on the non-exercise of control or any right in concomitant, direct or indirect manner over an economic operator carrying out any of the generation and supply activities;
- c) Rights recognised to one or several shareholders representing individually or together at least 10% of the share capital:
 - o The right to ask in court to designate experts in view of reviewing certain operations managed by the Company and elaborating a report;
- d) Upon such request from the shareholders representing, individually or jointly, at least 10% of the share capital subscribed and paid, the Directorate convene compulsorily the shareholders' general assembly with an agenda including election of Supervisory Board members by cumulative vote;
- e) Any shareholder having less than 10% of the share capital subscribed and paid can submit written requests to the Directorate in order to have the cumulative vote method applied within 15 days from the publication date of the convening notice for the shareholders' general assembly in Romania's Official Gazette, Part IV, with the election of Supervisory Board members in the agenda. In such a case the cumulative vote method in the election of Supervisory Board members is submitted to voting at the shareholders' general assembly;
- f) A significant shareholder has the right to convene the AGA with the agenda including the election of administrators by cumulative vote.

The rights and obligations associated to shares will follow the shares in case they pass into other persons' ownership.

3.3. Approach of shareholders

The Company guarantees the shareholders' right to fair treatment and correct complete information about the Company situation.

All issued shares confer equal rights to their holders and any change in the conferred rights will be submitted to the approval of directly impacted holders, at their special assembly.

The Company provides due diligence to facilitate shareholders' participation to AGA reunions, encourages the dialogue between shareholders and Supervisory Board and / or Directorate members, as well as their full exercise of their rights.

In case of shareholders that cannot participate the Company places at their disposal the voting possibility:

- a) By means of representation using special power of attorney;
- b) By correspondence;
- c) Remotely;

In order to place at the shareholders' disposal relevant information in real time the Company has created on its own website, www.transelectrica.ro, a special section entitled **Investor Relations**, easily accessible and permanently updated. The page is structured so as to contain all information necessary for securities holders- information about the AGA, financial calendar, periodical and current reports, rating, dividends, corporate governance etc.

Also the Company has set up two special structures liaising with existing and potential shareholders. The Corporate Governance Division and the Financial Strategy & Treasury Division address the requests of Company shareholders and investors with maximum efficiency using an international language and facilitate their dialogue with the Company's management. The persons designated to liaise with investors and shareholders are periodically attending training courses.

Moreover internal procedures are applicable within the Company, which determine the stages and running mode of Shareholders' General Assemblies, while also setting the information flows under periodical and uninterrupted reporting of information to the institutions of the capital market and other. All internal procedures are submitted to the Company employees that can access them based on user and password.

In view of facilitating the communication with shareholders and investors the e-mail address relatii.investitori@transelectrica.ro, phone (+40213035948) and fax (+40213035610) numbers as well as postal address details have been placed at their disposal, but also a **Contact** button on the Company site, in the **Investor Relations** section.

3.4. Bonds

The Company is authorised to issue bonds according to legal terms. Thus the Company provides equal treatment to all bond holders under the same loan, as regards all the rights conferred by them.

4. CORPORATIVE GOVERNANCE STRUCTURES

4.1. Shareholders' General Assembly

The real mechanism for the exercise of all shareholders' rights is the AGA.

AGA is convened by the Directorate every time there is need, according to legal terms. In exceptional circumstances, when the Company interest so requires, the CS can also convene the AGA.

The convening notice becomes public within 24 hours from the time when the AGA has been convened on the BVB site, on the site www.transelectrica.ro and on the ASF site, and in the Official Gazette- within maximum 4 days, while in the written press- in maximum 5 days from convening date. Similarly, the materials submitted to debate are published according to the agenda and to legal terms.

The gathering time is no less than 30 (thirty) days from the publication date of the convening notice in Romania's Official Gazette, Part IV. The convening interval does not include the publication date or the day when the AGA reunion is set.

Each convening of the AGA includes the venue, the date and time of its reunion upon the first convocation, and the gathering address, the date, time and place in case of the second convocation.

The convening notice of the AGA will explicitly mention the topics for debate, as well as their justification. Whenever the agenda includes proposals to amend the Company's Articles of association, the convening notice will also comprise the full text of proposals.

The organisation and running of each AGA reunion and the participation procedures are explicitly provided straight in the convening notice, so that they can be acknowledged by all shareholders desiring to attend the assembly. The Company encourages the shareholders' participation to the AGA and takes all the measures to facilitate it. The materials submitted for debate are published on the site www.transelectrica.ro, therefore shareholders are encouraged to ask questions about the agenda items.

The access of shareholders entitled to attend the AGA is allowed by the simple proof of their identity, using the ID card in case of natural person shareholders and the power of attorney provided by the represented legal and natural person shareholders to the natural person representing them.

Forbidding the access of a shareholder that complies with legal terms for AGA attendance entitles any interested person to ask in court the cancellation of such AGA decision.

At the general assemblies shareholders can vote also by electronic means, in accordance with the applicable legal regulations and provisions. Associated forms (correspondence voting form and the blueprint of the special power of attorney), both in Romanian and in English, are also posted on the site www.transelectrica.ro. Original power of attorneys, either in Romanian or in English, will be submitted 1 hour before the assembly, pending sanction of losing the voting right at that assembly; they are accepted either in writing by post or in electronic format, using the extending electronic signature. Voting forms are admitted only in writing by post or courier delivery. The decisions taken by the AGA and the voting results are disseminated during the assembly day by similar means with those used for convening.

AGA reunions are held in Romanian.

4.1.1. Attributions of the AGA

AGA is ordinary and extraordinary.

The Shareholders' General Ordinary Assembly (AGOA) has got the following competences, attributions and functions:

- a) Discussing, approving or changing the annual financial statements when they have reviewed the reports of the Directorate, Supervisory Board and financial auditor;
- b) Distributing the profit and determining the dividends;
- c) Electing and recalling the Supervisory Board members;
- d) Appointing and recalling the financial auditor and setting the minimum term of the financial audit contract;
- e) Setting the general limits of the remunerations for Directorate members;
- f) Determining the remuneration of Supervisory Board members, as well as the terms and conditions of the mandate contract concluded with each member of the Supervisory Board;
- g) Stating an opinion about the management of Directorate and Supervisory Board members, while also assessing their performance and discharging them from liability, under legal terms;
- h) Deciding about taking to court the Directorate and Supervisory Board members, as the case may be, for damages caused to the Company;
- i) Determining the revenue and expense budget, the action and investment plans during the financial year submitted for approval;
- j) Approving the managerial plan, which includes the management strategy during the mandate;
- k) Approving the Supervisory Board reports about their activities;
- l) Deciding on the mortgage, rental or cancellation of one or several Company units;
- m) Deciding about any other issues regarding the Company according to legal attributions, provided such issues are included in the agenda of the Shareholders' general ordinary assembly;

The Shareholders' General Extraordinary Assembly (AGEA) meets every time there is necessary in order to take a decision for:

- a) Changing the juridical form of the Company;
- b) Changing the headquarters of the Company;
- c) Changing the Company's business;
- d) Increasing the Company's share capital;
- e) Reducing the Company's share capital or restoring it by issuing new shares;
- f) Merging with other companies;
- g) Splitting up the Company;
- h) Splitting up the Company in advance;
- i) Converting the shares from one category to another;
- j) Converting the nominative into bearer shares or the bearer into nominative shares;
- k) Converting the bonds from one category to another or into shares;
- l) Issuing bonds;
- m) Concluding deeds to acquire, estrange, change or constitute security from assets of the non-current assets of the Company, whose value, individually or wholly, exceeds 20% of the total accounting value of the Company's non-current assets, minus liabilities, in one financial year;
- n) Any amendment of the Articles of association or any other decision requiring the approval of the AGEA.

In case of the fore-mentioned attributions the Romanian State's representatives in the AGEA cannot take decisions unless they get special mandate from the public institution that appointed or mandated them, as the case may be.

In addition to the competences given above the AGEA also decide on the following:

- a) The Company's conclusion of a contract, an obligation or commitment that might involve expenses or assuming other important obligations according to the competence limits provided in Annex 2 to the Articles of association;
- b) Initiating, exercising, solving or abandoning any claim, dispute, arbitration or other procedures involving the Company or any recognition of liability of the Company, according to the competence limits provided in Annex 2 to the Articles of association;
- c) The Company's taking loans or making debts or assuming liabilities of the loan kind, except when specifically provided otherwise in the approved budget of the relevant year;
- d) Establishing or participating to the establishment of companies or the Company's constituting any partnership, association of participation or any other agreement for profit distribution;
- e) Any other free deed including sponsorships and donations offered by the Company individually amounting to more than 100,000 Lei.

4.1.2. Quorum and majority requirements

A. Quorum in the Shareholders' General Ordinary Assembly

First convocation

- a) No other aspect, except when designating the chairperson and the secretary of the respective assembly, will take place at the AGOA unless quorum requirements are complied with when the assembly begins. The quorum is met when the shareholders attending or represented at the assembly represent more than 1/2 of the total number of voting rights;
- b) In case the quorum is met, decisions can be made with the majority of votes cast at the assembly;

Second convocation

- a) If within 60 (sixty) minutes from the time set to hold the AGOA at the first convocation (or any other term granted by the assembly chairperson) the quorum is not met or if, during the assembly, the quorum is no

longer sustained the AGOA will be held another day, at a time and in a place to be specified in the second convocation;

- b) AGOA gathered at the second convocation can decide about the issues included in the agenda of the first assembly convened, regardless of the attending shareholders, with the majority of votes cast by the attending or represented shareholders;

B. Quorum in the Shareholders' General Extraordinary Assembly

First convocation

- a) No other activity, except when designating the chairperson and the secretary of the respective assembly, will take place at the AGEA unless quorum requirements are complied with when the assembly begins. The quorum is met when the shareholders attending or represented at the assembly represent more than 1/4 of the total number of voting rights.
- b) In case the quorum is met, decisions can be taken only with the majority of votes from the attending or represented shareholders.

Second convocation

- a) If within 60 (sixty) minutes from the time set to hold the AGEA at the first convocation (or any other term granted by the assembly chairperson) the quorum is not met or if, during the assembly, the quorum is no longer sustained the AGEA will be held another day, at a time and in a place to be specified in the second convocation.
- b) No activity, except when designating the chairperson and the secretary of the assembly, will take place during the second convocation of the AGEA if the quorum is not met at the beginning of the reunion. The quorum is met when the shareholders attending or represented at the assembly represent more than 1/5 of the Company's share capital.

C. In case the quorum is met at the second convocation of the AGEA then they can decide on the issues included in the agenda with the majority of votes cast by attending or represented shareholders. In the expressly provided circumstances in applicable legislation, meeting the quorum and decision taking will take place under the terms provided in the respective regulations; for instance the decision to change the business of the Company, to reduce or increase the share capital, to change the juridical form, to merge, split or liquidate the Company is taken with the majority of at least two thirds of the voting rights of attending or represented shareholders.

D. Abstentions will not be taken into consideration when the number of votes is determined as necessary to take some decision at the AGA.

E. Decisions cannot be made over issues in the agenda that have not been published in accordance with the legal and statutory provisions, except when all shareholders have attended or were represented and none of them opposed or objected to such decision.

4.1.3 Convening process

(1) AGA is chaired by the Directorate chairman or by the person designated by him or, when he is absent, by a person designated by shareholders.

(2) The Directorate chairman or the person designated by shareholders to chair the assembly designates, from the Company employees, one or several technical secretaries that should verify whether the necessary conditions have been met in order to hold the assembly.

(3) The general assembly will elect, from the attending shareholders, an assembly secretary that will verify the attendance list of shareholders, the minutes elaborated by the technical secretaries as well as all the formalities specified in the law and in the articles of association for the organisation of the general assembly.

(4) The minutes signed by the assembly chairperson and secretary will specify the compliance with convening formalities, the date and place of the reunion, the agenda, the attending shareholders, the number of shares, the summary of debates, the decisions taken and, upon the shareholders' request, the statements they made at the assembly.

(5) AGA decisions are written using the minutes and are signed by a person designated by shareholders at the assembly. In case a person is not designated by shareholders to sign the assembly's decisions then the Directorate chairman and the assembly secretary will sign the decisions.

(6) In order to be opposable to third parties AGA decisions will be submitted, within 15 (fifteen) days from the general assembly's date, to the Office of the Commercial Register in order to be mentioned in excerpt in such register and will be published in Romania's Official Gazette.

4.1.4 Exercising the voting right in the Shareholders' General Assembly

(1) Shareholders can be represented at any AGA by other shareholders or by third persons.

(2) Only the shareholders recorded in the Company's shareholder register on the reference date, set when AGA has been convened, will be entitled to participate and to vote, after proving their identity.

(3) Shareholders will be able to vote at the AGA also by electronic means, in accordance with the applicable regulations and legal provisions.

(4) The secret vote is compulsory for the election and recall of CS member, of the financial auditor as well as in order to take decisions about the liability of Directorate and CS members and of the financial auditor.

(5) The following procedures regarding the secret vote will be applied in the compulsory circumstances with a view to provide the secret nature of the vote at the AGA:

(a) The assembly's technical secretaries will give each shareholder a voting bulletin indicating the number of his/her shares and guidelines about the voting method;

(b) Each shareholder will vote by filling up the bulletin and submitting it to the assembly secretaries that will determine the voting result;

(6) AGA decisions are compulsory even for the absent shareholders and those who voted against them.

(7) Shareholders that have not voted for some AGA decision are entitled to withdraw from the Company and to request their shares to be purchased by the Company, only if such decision of the General assembly pertains to:

- (a) Changing the main business;
- (b) Moving the Company's offices abroad;
- (c) Changing the form of the Company;
- (d) The Company merger or splitting up;

4.2. Supervisory Board

The Company is managed under two-tier system by a Directorate, supervised by the CS. The organisation and running of the CS are performed according to the Articles of Association, applicable laws, the Regulation of Operation and Functioning (ROF) of the Company and the ROF of the CS.

The CS is entrusted with doing all the necessary useful deeds in order to carry out the Company activities, except for the legal provisions for AGA.

CS members have got diligence and loyalty duties to the Company. Such duties are exercised taking into account the shareholders' interests in general, not only of certain shareholders. In exceptional cases, CS members will also take into consideration the interests of third parties, as well as Romania's national interests, attempting to keep balance among these and the shareholders' interests, provided such actions do not place the Company in a bad position in economic-financial terms.

In the absence of ill faith CS members will not be held liable for the business decisions made after diligent information on the relevant circumstances existent in the moment when such decision was taken. To the

purpose of such information, CS members are entitled to rely on the information made available by Transelectrica employees, as well as by the external specialist consultants.

CS members will not abuse of their capacity, by resorting to disloyal or fraudulent actions, which aim at or result in injuring the rights of shares, as well as in prejudicing their holders.

CS members will exercise their mandate prudently with loyalty in the interest of the Company; they will not disclose the confidential information and the Company's trading secrets, which are accessible to them in their capacity, even when their mandate has ended.

CS members will observe the regime of privileged information, as well as that of classified data.

CS members will notify the CS chairperson and the Company whether they hold Company securities and how many, and they will inform the specific structure of the Company about their personal transactions in their own name with the Company titles, in order to be disseminated according to associated rules.

4.2.1. Attributions of the Supervisory Board

The Supervisory Board has got the following main attributions:

- a) Exercising control over the manner in which the Directorate govern the Company;
- b) Endorsing the revenue and expense budget, as well as the investment plan of the financial year submitted for the approval of the shareholders' general assembly;
- c) Approving the management plan of the Directorate;
- d) Elaborating and submitting to AGA approval the management plan, which includes the managerial strategy during the mandate;
- e) Determining the structure and number of Directorate members;
- f) Appointing and recalling the Directorate members, and setting their remuneration;
- g) Checking whether the activities performed in the name and on behalf of the Company are according to the law, the Articles of association and any relevant AGA decision;
- h) Submitting to the AGA a report about the supervisory activities performed;
- i) Representing the Company in the relation with the Directorate;
- j) Approving the internal rules of the Directorate;
- k) Checking the financial statements of the Company;
- l) Reviewing the report of Directorate members;
- m) Proposes to the General assembly to appoint and recall the financial auditor, as well as the minimum term of the audit contract;
- n) Endorsing the set-up or cancellation of secondary offices (branches, representation offices, agencies or similar other entities without legal personality);

In exceptional circumstances, when the Company interest so requires, the CS can convene the AGA.

The Supervisory Board has also got endorsing / approval attributions for contracts, credits and various other operations at Company level, according to the competence limits provided in Annex 2 to the Articles of association.

4.2.2. Membership

The CS has seven members that can be shareholders of the Company, but cannot be Directorate members and cannot cumulate the capacity of Supervisory Board member with that of Company employee.

CS members should be independent.

CS members are appointed by the AGA, while observing the provisions applicable to companies admitted for transaction and they are selected in accordance with the provisions of GEO 109/2011 on the corporate governance of public enterprises (GEO 109/2011).

They can be recalled any time by the AGA, with majority of at least 2/3 of the number of votes from attending shareholders.

The mandate of CS members lasts for 4 years, except for the mandate of the first CS members whose mandate cannot exceed 2 (two) years.

The CS chairperson will be elected by the Supervisory Board members.

In case one of the CS positions becomes vacant, the CS can designate a provisional member until the next convocation of the AGOA or they will ask the Directorate to convene the AGOA to appoint another member that will be selected according to the provisions of GEO 109/2011. AGA appoints the new member for a term equal with the time period remaining until normal expiry of his/her predecessor's mandate, except when the entire Supervisory Board is reconfirmed for a new mandate of four years.

CS members are recalled only by the AGOA.

The Company will bear the costs of the professional liability insurance for CS members. The insured amount and the insurance premium will be set under AGOA decision.

4.2.3. Functioning

CS meetings will be convened as follows:

- a) By the CS chairperson (or by a CS member based on the chairperson authorisation) any time it is necessary, but at least once every three months;
- b) By the CS chairperson upon the reasoned request of two CS members or of the entire Directorate;
- c) By two CS or Directorate members in case the chairperson does not convene the CS meeting, as mentioned in items a) & b) above;
- d) CS meetings will be convened by notification sent at least 3 (three) calendar days before the proposed date of the meeting. The notification period will not include the transmission date and the date when the meeting is to be held. The notification will be sent to all CS members, according to the provisions of the Articles of association.
- e) The convening notice for the CS meeting will be transmitted to every CS member by fax or by electronic mail to the fax address and number of the respective CS member. Each CS member is obliged to inform the Company in writing, by fax or by electronic mail about any change of the address and/or fax number of the respective member and cannot oppose the Company any mistake about the notification whether such change in the address and/or fax number has not been notified like this by the CS member.
- f) The notification about the CS reunion will mention the meeting date and time, as well as whether it is held in the Company offices (except when the convening notice is mentioning another place, in which case the address has to be provided as well). The notification about the meeting will also mention the agenda and will include the entire documentation relating to agenda items, which will be discussed at the meeting.
- g) The CS cannot decide about issues that are not included in the agenda, except for the situation in which all attending members agree with including such issues in the agenda.
- h) The CS can gather at any moment, by in any case at least once every 3 (three) months. In case the CS is convened upon request from two of its members or of the Directorate, the convening notice will be transmitted within 5 (five) days at the most from receipt date of such request.
- i) The CS meeting is chaired by the CS chairperson and in his /her absence by a member elected by attending members. The chairperson appoints a secretary either from the CS members or from the Company employees.
- j) In particular circumstances CS meetings can be held over the phone, by video conference or using any other communication means whereby all participating persons can hear one another, and the attendance to such a meeting is considered as personal participation in order to comply with the quorum and voting conditions requirements. Under such circumstances the requirements for minimum convocation term do not apply
- k) Any of the CS members can delegate to another member the capacity of voting at a certain CS meeting.
- l) The CS can also take decisions without observing the convocation term if all board members are attending or are represented at the meeting.
- m) In urgent circumstances the CS can take decisions in writing without gathering, if all members agree to such manner of making decisions. The proposal should be notified in writing before making decisions to all CS members, accompanied by the associated documentation in order to take a decision without meeting.

- n) Decisions are valid if at least 5 members are attending from among CS members. CS decisions are taken with majority of votes from attending CS members CS or are represented at it. In case of tie votes the CS chairperson or the person mandated to chair the meeting will cast the decisive vote.
- o) The CS will appoint Directorate members with the majority vote of its members.
- p) CS debates are recorded in the meeting minutes, which will be sealed and initialled by the CS chairperson. The minutes are signed by each CS member and by the secretary at the end of the meeting. Within 24 hours from the meeting end the absent members will be informed about the decisions taken at the meeting they did not attend.
- q) CS meetings will be audio recorded, and such records will be archived by care of the CS chairperson.

4.2.4. Consultative Committees of the Supervisory Board

4.2.4.1. Audit committee

- a) Among other attributions this committee monitor the efficiency of internal control, internal audit and risk management systems from Transelectrica, verify and monitor the independence of external auditors, statutory audits of annual financial statements and of the approaches proposed by external auditors, while also coordinating their activities with the internal audit.
- b) Monitoring the financial reporting and management processes, as well as the financial plan and the elaboration of annual financial and consolidated annual financial statements.
- c) Playing an important part when verifying the efficiency of the monitoring system and its compliance with the laws and regulations applicable to the Company as well as the results of managerial investigations in case of incompliance.

4.2.4.2. Nomination and remuneration committee

- a) Coordinating the appointment of Directorate members and making recommendations both for the positions of Directorate members and in order to fill the vacancies of the CS.
- b) Determining the requirements to hold certain positions in the Company management and permanently updating the professional competences of Directorate members.
- c) Validating the organisational chart of the Company.
- d) Elaborating the remuneration policy for Directorate and CS members and submitting it for approval to the Shareholders' General Assembly.
- e) Providing in the annual report the total amount of the direct and indirect remuneration of Directorate and CS members, while observing the proportionality between it and the responsibility and time dedicated by them to exercising their functions.

4.2.4.3. Financial and development committee

- a) Assisting the CS with performing their supervisory and supervising responsibilities during the elaboration and updating of the Company's general development strategy, reviewing the development opportunities identified for Company activities and making recommendations to the CS, with potential impact in the Administration and Management Plans of the Company.
- b) Together with the Audit committee- making recommendations to the CS about the accounting policies to be followed by the Company.
- c) Making recommendations to the CS with respect to the financing structure and the mobilisation of Company resources, the financial reports and monitoring the achievement of performance indicators of the transmission system and of the economic-financial indicators of Company activities, as well as the financial and managerial reporting, and the financial plan of the Company.

4.2.4.4. Energy security committee

- a) Monitoring and advising the CS, the Directorate and the specific compartments of the Company during the implementation of the administration strategy and the Management Plan with the strategic objectives in line with the system operator and energy security domain for the entire Romanian Power System (SEN), energy security for the RET (Electricity Transmission Grid), energy security and protection of the critical infrastructure.

4.2.4.5. Committee liaising with regulatory and strategic authorities

- a) Sustaining the Company in its negotiations with the National Regulatory Authority in the Energy domain (ANRE) with respect to the rates applicable to Transelectrica activities and to approving the Company's Ten Years Development and Investment Plans for 2014 – 2017.
- b) Advising the Directorate when updating the Management Plan.

4.3. Directorate

Directorate members are appointed and recalled by the CS. A Directorate member will be appointed Directorate chairperson, alternatively also called Executive Director General or Chief Executive Officer (CEO) of the Company.

The number of Directorate members is set by the CS, ranging between 3 and 7 members and it is always odd. Directorate members are selected according to the provisions of GEO 109/2011, and their mandate is granted for a 4 years' term.

In case one position of Directorate member becomes vacant the CS will appoint another member for the remaining period from the mandate of the member that is replaced, selected according to the provisions of GEO 109/2011.

The Company will bear the costs of the professional liability insurance for Directorate members. The insured amount and the insurance premium will be set under AGOA decision.

4.3.1. Attributions

The main duties of the Directorate, performed under CS supervision are as follows:

- a) Determining the Company's strategy and development policy, including the organizational chart and establishing the operational departments;
- b) Annually submitting to AGA the report about Company activities, financial statements of the previous year, as well as the Company's draft action plan and draft budget for the current year;
- c) Concluding juridical documents with third parties in the name and on account of the Company, while observing the provisions of the Articles of association regarding double signature and also the competences reserved to the AGA or CS;
- d) Hiring and firing, determining the tasks and responsibilities of Company employees in accordance with the Company's personnel policy;
- e) Elaborating the management plan and submitting it for approval to the CS;
- f) Negotiating and signing the Collective labour contract at Company level, as well as the addendums to it together with employees' representatives, after having informed the CS beforehand;
- g) Taking all necessary useful measures for Company governance, associated to the daily management of each department or delegated by AGA or by the CS, except for what has been legally reserved for AGA or the CS or in the Articles of association;
- h) Approving the mandates of Company representatives in the AGA of Company subsidiaries and informing the CS quarterly about the mandates granted to them;
- i) Exercising any competence delegated by the AGEA according to legal terms.

The Directorate has got attributions to endorse / approve the contracts and different operations at Company level, according to the competence limits provided in Annex 2 to the Articles of association.

4.3.2. Functioning

The Directorate are acting as established under the Directorate's internal rules, approved by the Supervisory Board.

The Directorate gathers regularly, usually each week and every time it is necessary to efficiently solve the current issues of the Company.

At least half of the Directorate members should attend in order to take valid decisions, except when internal rules require a greater quorum. Directorate decision are validly taken by the 'for' votes of the majority of attending or represented members at the respective Directorate reunion. In case of tie vote the Directorate Chairman or the person mandated by him to chair the meeting will cast the decisive vote.

Directorate gatherings can take place over the phone or by video conference or using other communication means whereby all participating persons can hear one another, and the attendance to such a meeting is considered as personal participation in order to comply with the quorum and voting conditions requirements.

In case the kind of circumstances so requires, the Directorate can take a decision with the unanimous written agreement of its members with no more meeting. The Directorate chairman will decide whether circumstances so require.

The Directorate should submit to the CS a written report about the management, activities and likely development of the Company, at least once every three months.

Directorate meetings can take place in English as well. According to each case simultaneous translation in Romanian will be decided upon. All the documents meant for Directorate utilisation issued by them, including meeting minutes, agenda, informative documents for agenda items will be elaborated in Romanian and, to the extent in which it is necessary, in English as well.

5. CORPORATIVE INFORMATION REGIME – Transparency and financial reporting

5.1. Transparency

Being a Company admitted for transaction the Company complies with the regulations associated to the capital market, making and accordingly publishing the periodical and permanent reporting about all the important events, including the financial situation, performance, property and management.

The permanent reporting and periodical reporting procedures help the Company to place at the disposal of interested people complete accurate information in due time, in order to enable shareholders taking objective investment decisions.

The Company transmits to the BVB, within the shortest time delay possible, the notes / explanations about any piece of news or rumour it has found about, which might impact the price / efficiency of its financial instruments; in case the BVB considers it necessary the Company will make such information by means of press release.

To facilitate and improve the information of shareholders and investors the Company publishes on its own website www.transelectrica.ro, in a special section entitled **Investor Relations**, all the relevant information both in Romanian and in English.

The Company organises four times a year meetings with financial analysts, brokers, investors and other market specialists with a view to introduce the half-yearly and quarterly financial statements as financial elements relevant for investment decisions.

5.2. Financial reporting

The Company prepares and disseminates relevant periodical information in accordance with the reporting, environmental, social and governance standards (ESG – Environment, Social and Governance).

The Company transmits to the BVB, within 120 days at the most from the end of the reporting period, its Annual Report elaborated in accordance with the applicable regulations issued by the ASF. Financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The Company transmits to the BVB, within 45 days at the most from the end of the reporting period, the Half-yearly Report elaborated according to the applicable regulations of the ASF. Half-yearly financial statements are prepared in accordance with the applicable legislation.

The Company transmits to the BVB, within 45 days at the most from the end of the reporting period, the Quarterly Report for the first and the third quarters, elaborated according to applicable regulations of the ASF. Such report includes all the reporting documents provided in ASF regulations and, in addition, the accounting balance and the explanatory notes elaborated in accordance with applicable regulations.

The Company transmits the reports subject to the periodical provision of information after the end of the transaction session and at least 90 minutes before beginning the transaction session.

Reports about financial statements are placed at the disposal of all interested persons on one's own site, both in Romanian and in English.

5.3. Non-financial reporting

The Company's non-financial reporting relies on clear strategy and pragmatic approach, while notions such as sustainable development, responsible sound business practice and ethics are no longer just simple theoretical concepts. Reports outside the financial domain are meant to provide concrete substance and explain the manner in which the Company understands and applies such concepts.

5.3.1. Statement of conformity

The Company includes in its Annual Report the Statement of corporate governance with respect to the compliance or non-compliance with the provisions of the Corporate Governance Code of the BVB. In case of incompliance with the provisions of the Corporate Governance Code of the BVB, the Company provides complete explanations.

5.3.2. Ethical code

The Professional Ethical Code of the Company (Code) provides the ethic norms of conduct, which determine and regulate corporate values, responsibilities, obligations and business conduct of the organisation, as well as the manner in which it operates.

The Professional Ethical Code of the Personnel is a guidebook for Company employees providing information about the manner in which they can solve business ethical problems. The Code provides the set of rules constituting the development grounds of the Company, the rules of ethical behaviour in business and the prevention of illicit illegal deeds that might occur during Company activities.

Transelectrica managers should prove the significant compliance with this Code in their actions.

The Company does not prejudice in any way the fundamental human rights, starting with the fact all human beings are free and have equal rights. Elementary human rights are observed for each Company employee. All employees can freely and legally constitute associations according to their own options, while also being entitled to collective negotiations.

The Company acts in accordance with the organisational by-laws, cooperating with the organisations and persons associated to common values and goals.

The Company respects moral and religious values, the customs, traditions and culture of the community it operates in.

The Company does not agree with the labour exploitation of children.

The Company makes no contributions and will not directly or indirectly sustain any political party or independent politician.

The Regulation is compulsory and is applied in all Company structures.

All employees have acknowledged and comply with the letter and spirit of these regulations.

The Ethical Code is permanently improved in order to mirror the legislative and policy amendments as well as the best practice. The latest version of the Code, which also prevails, is available on the Company's site in the **About us / Ethical Code** section.

5.3.3. ESG¹ report

The Company uses ever more complex reporting standards, especially as regards performance in the sustainable development domain, which is the best manner in which the Company can manage its economic, social and environmental impact and at the same time increase transparency about the non-financial aspects of the business.

A. Environmental report

The Company committed to integrate the environmental protection in all its activities of transmission and system operator within the national power system, thus providing balance between its activities and the principles of sustainable development as regards the moral commitment towards the society and nature.

The Company by its environmental policy committed to comply with environmental protection requirements applicable to its activities and also to reduce pollution below admissible limits at national and European level.

The environmental management system introduced in the Company, according to the requirements of the ISO14001/2004 international standard certified by the Romanian Quality Insurance Company, which provides the organisational framework necessary for practical application of the environmental management policy of the Company.

The Company publishes an environmental account in the Annual Report. From one year to another indicators show the Company's environmental performance increased by means of measures such as- determining concrete responsibility, proper waste management, using the latest technologies that prevent or reduce pollution, as well as periodically monitoring the environmental factors.

B. CSR² report

The Company publishes a corporate responsibility account in the Annual report, which aims at spreading the Company policy in the domain, the manner in which it applies the values and gets involved in solving problems in its business domain or Company issues at large. At the same time we are concerned to invest into projects that assist the community, to control and minimise the environmental impact, to observe business ethics while also being a starting point in the dialogue with the partners the Company works with.

The Company's vision in the CSR domain means- promoting national values such as innovation, team spirit, respect of diversity and commitment. They are the ground base of Company performance, being involved in

¹ ESG = Environmental, social and governance

² CSR = Corporate Social Responsibility

domains such as: art and culture, education, humanitarian aid, environment, community development, responsibility to employees and corporate volunteering.

6. CONFLICT OF INTERESTS AND TRANSACTIONS WITH INVOLVED PERSONS

6.1. Conflict of interests

The Company's Ethical Code contains clear provisions about the conflict of interests.

All conflicts of interests should be urgently notified to the CS chairperson.

CS member will take decisions in the Company's interest and will not participate in the debates or decisions instituting conflict between their personal interests and those of the Company or the interests of subsidiaries controlled by the Company.

CS members observe the provisions of Directive 72/2009, transposed in the national primary legislation by means of the Energy law 123/2012, and they are forbidden:

- (a) Exercising direct or indirect control over an enterprise carrying out any of the generation or supply activities and exercising direct or indirect control or exercising any right over a transmission and system operator or over a transmission system; or
- (b) Exercising direct or indirect control over a transmission and system operator or over a transmission system and exercising direct or indirect control or exercising any right over an enterprise carrying out any of the generation or supply activities;
- (c) The same person or persons are not mandated to appoint Supervisory Board members in case of a transmission and system operator or in case of a transmission system and also exercising direct or indirect control or exercising any right over an enterprise performing any of the generation or supply activities; and
- (d) The same person is not mandate to be CS member, both in case of an enterprise carrying out any of the generation or supply activities, and in case of a transmission and system operator or of a transmission system.

The Company is forbidden to give loans to CS members.

Contracts concluded with CS members or with companies managed or run by them need the unanimous consent of the Board.

Directorate members should urgently inform the CS about their personal patrimonial interests in Company transactions or about other conflicts of interests and report them to the Directorate.

In case Directorate members accept a position outside the Company they need the preliminary CS agreement.

The persons found under incompatibility circumstances as provided in Law 31/1990 on companies, republished, with later amendments and additions, are incompatible with the capacity of CS member. During the performance of their mandate administrators cannot conclude labour contract with the Company. In case the administrators were designated from among Company employees, the individual labour contract is suspended during the mandate.

6.2. Independence of Supervisory Board members

The Company's Articles of Association and the applicable legislation provide the independence criteria of CS members towards the main shareholder, this being mirrored in the CS membership.

The main independence rules are as follows:

- a) He/she should not be Directorate member, Company director or of any company controlled by it, and he/she should have not held such a position in the last 5 years;
- b) He/she should have not been employee in the Company or in any other company controlled by it or he/she should have not had such labour relationship in the last 5 years;

- c) He/she should not or have not received from Company or any other company controlled by it some additional remuneration or other benefits, others than what corresponds to his/her capacity of non-executive administrator;
- d) In the last year he/she should not have or have had business relations with the Company or with other company controlled by it, either in person or as associate, shareholder, administrator, director or employee in a company that has such relationships with the Company, if by their substantial nature they can impair his/her objectiveness;
- e) In the last 3 years he/she should not be or have been financial auditor or associate employee of the current financial auditor of the Company or of a company controlled by it;
- f) He/she should not be director in another company where a Company director is non-executive administrator;
- g) He/she should not have been non-executive administrator of the Company for more than 3 mandates;
- h) He/she should not have family ties with a person found in the circumstances provided in letter a).

6.3. Transactions with involved persons

Each Supervisory Board member will make sure to avoid any direct or indirect conflict of interests with the Company or with any subsidiary controlled by it and will inform the CS and the CS chairperson about the conflicts of interests as they occur, and he/she will abstain from debates and voting on the respective issues, in accordance with applicable legal provisions.

In order to provide procedural accuracy of transactions with involved parties (self-transactions), the Supervisory Board used the following criteria:

- a) Keeping the CS or AGA competence to approve the most important transactions;
- b) Requesting a preliminary opinion about the most important transactions from the internal control structures;
- c) Entrusting the negotiations for such transactions to one or several independent CS members or to the Board members that have no relations with the respective involved parties;
- d) Resorting to independent experts.

6.3.1. Reporting the transactions with affiliates

The Company reports to the BVB and ASF, according to article 225 of Law 297/2004, any contract concluded with affiliates, administrators, employees, controlling shareholders, as well as with the persons involved with these, whose cumulated value represents at least the Lei equivalent of 50,000 Euro;

The contracts concluded between the Company and all its subsidiaries are mainly aiming at support activities that have been spun off by the Company, and usually the object of such contracts consists in the provision of services and work.

Transactions should be reported within 5 (five) days from the conclusion of the contract with the affiliates.

6.3.2. Reporting the operations made on account of initiated persons

Initiated persons are obliged to notify the ASF and the Company about all the transactions made on their own account with Company shares admitted for transaction on the regulated market.

The Company publishes on its own site all the notifications received from initiated persons within it.

The Company draws up the list of initiated persons and updates it any time a change occurs according to article 149 from Regulation 1/2006 of the CNVM, which then it transmits to the BVB and ASF.

Initiated persons are obliged to keep confidential all the privileged information accessible to them, which the Company has not yet transmitted to the capital market.

The Company provides periodically or any time circumstances so require training of initiated persons with respect to the conduct of involved persons in terms of privileged information and of obligations instituted on their behalf under the capital market legislation.

7. INTERNAL CONTROL AND RISK MANAGEMENT

7.1. Internal Control

Internal control implements a control system tailored to the size, complexity and environment specific to the subject matter, which targets all governance levels and all Company activities, in order to provide achievement of Company targets with reasonable costs.

Internal control is integrated in the Company's management system aiming at- effectiveness and efficiency of Company operations; reliability of internal and external information; compliance with the internal procedures, regulations and policies.

The general objective is the uniform adoption of internal / managerial control standards in all the existing Company structures aiming at:

- a) Intensifying the monitoring activities performed by each Company division, in order to remove existing risks and efficiently use allocated resources;
- b) Developing preventive and control activities in order to protect resources allocated against losses owed to waste, abuse, errors or frauds;
- c) Improving communication between Company departments with a view to provide efficient information dissemination without distortions, so as it could be efficiently capitalised for prevention and internal control;
- d) Designing performance standards in each department for each activity, with a view to use them when making analysis based on objective criteria regarding allocated resources.

The following has been elaborated within the Company- the *Accounting Policies* and the *Circuit of economic documents* manuals with a view to carry out the provisions of OMFP 3055/2009 approving the Accounting Regulations according to European directives, with later amendments and additions.

7.2. Risk management

Company activities are sensitive to the general economic conditions, which might impact the amount of electricity transmitted and implicitly the operational revenues and results. Moreover, the demand for electricity and its price depend on varied factors over which the Company has no control, namely:

- Global and regional economic and political developments;
- The demand of industrial consumers;
- Weather conditions;
- Existing laws and regulations;
- The tariffs regulated by ANRE for transmission and system services;

The Company has identified the technical and strategic risks, the Company's risk tolerance and prioritised risks with a view to set the critical ones. Based on such results a Company register and corporate risks map were generated.

The Company has also elaborated an action plan meant to limit the possible consequences of risk occurrences from the Risk register. Risk mitigation solutions to improve the risk profile, integrant part of risk control, are elaborated both by diminishing risks and by transferring some insurable risks under the uniform insurance plan, in order to protect Company values against catastrophic losses with severe impact.

8. SOCIAL RESPONSIBILITY

Social Corporative Responsibility represents an aspect of corporative governance whereby some social liable activities were initiated within companies, which might be quantified in terms of sustainability and long-lasting performance.

CNTEE Transelectrica SA gets involved in solving social issues of the community it works in and takes into consideration its interests, assuming responsibility towards its employees, shareholders, community and environment, with a view to generate prosperity, jobs and sustainability of a sound enterprise in financial terms.

As component part of its sustainable development strategy the social corporative responsibility policy aims at permanently increasing the company's liability degree to employees, shareholders, partners, community and the environment.