

**Transelectrica®**

Societate Administrată în Sistem Dualist

**NON-FINANCIAL CONSOLIDATED REPORT  
2017**

**WE LEAD THE POWER**

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## 1. General presentation

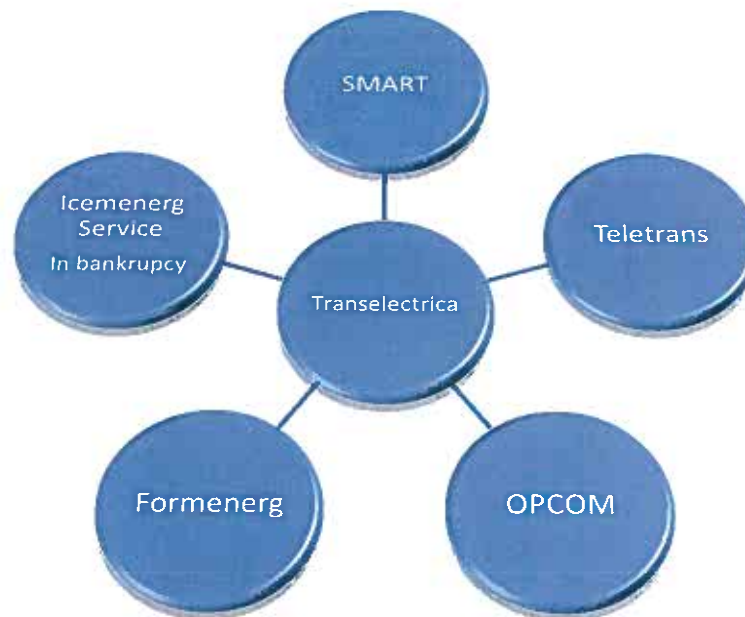
As of the date of this report Transelectrica includes five subsidiaries, as follows:

- Trading Company Electricity Market Operator SA - OPCOM SA (hereinafter OPCOM);
- Trading Company for Maintenance Services in the RET SMART SA (hereinafter SMART);
- SC FORMENERG SA (hereinafter FORMENERG);
- SC TELETRANS SA (hereinafter TELETRANS);
- ICEMENERG SERVICE SA (hereinafter ICEMENERG SERVICE).

from Transelectrica's annual consolidated reports.

Consequently, only the three important companies of the Group will be taken into consideration further, except for this presentation section.

It should also be mentioned that this consolidated non-financial report provides only the new items compared to the 2017 Sustainability Report, items that come out when detailing the non-financial issues specific to Opcom, Smart and Teletrans. At the same time the detailing level of information provided for each company separately is directly proportional with the company size and the extent of its activities, as against the topic under discussion.



Only three of them (Opcom, Smart and Teletrans) are included in the consolidated sustainability report of the Group. Formenerg and Icemenerg Service have not been taken into consideration since their impact is deemed insignificant according to the applicable accounting legislation, being also omitted

### • OPCOM

OPCOM, established according to GD 627/2000, is a subsidiary where Transelectrica owns 97.84% of shares. The Company's mission is to provide a structured framework to conduct commercial electricity transactions.

#### • SMART

SMART was established according to GD 710/2001 as subsidiary that Transelectrica owned entirely at first, by reorganising certain Company activities. The subsidiary's portfolio includes reviews and repairs to primary and secondary equipment from electricity networks, including preventive measurements, remediation of incidents to electrical installations, provision of energy services. Currently, Transelectrica owns 70% of SMART shares.

#### • FORMENERG

FORMENERG engages in personnel training in the energy sector. The company was established on 1 April 2002 as subsidiary owned 100% by Transelectrica.

#### • TELETRANS

TELETRANS is the main provider of communication and IT services for the administration of electricity transmission networks. The competences of TELETRANS are structured towards telecommunications, process information and managerial IT services. The Company was established on 23 October 2002 and is owned 100% by Transelectrica.

#### • ICEMENERG SERVICE

In 2004 Governmental Decision 2294/2004 on the reorganisation of the National Power Grid Company Transelectrica SA and of Company Icemenerg Service SA by absorption merger approved reorganising ICEMENERG SERVICE as subsidiary of Transelectrica, fully owned by it. ICEMENERG SERVICE manufactures instrumentation for electricity distribution and control. At present the company is under bankruptcy procedure. On 31.12.2017 the company's special administrator was Mr Nicolae Dula, while

the judiciary administrator was Solvendi SPRL.

## 2. Brief description of the entity's business model

#### • SMART

SMART's main activity is the maintenance of electrical equipment as, according to the CAEN code 3314.

Such code includes activities relating to the design and manufacture of electrical installations; making reviews, repairs and remedies of incidents to primary and secondary equipment from 0.4 kV – 750 kV electric networks; provision of energy services; micro-production of electrical equipment;

SMART also carries out other activities as follows:

- Technical expertise, diagnosis and analysis;
- Configurations, controls and parameter setting for command-control systems;
- Refurbishment and modernisation of electrical substations and overhead lines;
- Live work;
- Rehabilitating the transformer insulation;
- Special measurements;
- Design, consultancy and assistance, etc.

SMART includes 8 Maintenance Branches without legal personality, which are active in the whole territory.

SMART has designed, documented and implemented an Integrated Management System for quality, environment, labour security and health in accordance with the requirements of the following reference standards:

- ISO 9001:2015 "Quality management systems; Requirements" - for quality;

- ISO 14001:2015 "Environmental management systems; Specifications and utilisation guide" - for environment;
- OHSAS 18001:2007 "Occupational health and safety management systems"- for labour security.

The Integrated quality-environment-labour security & health Management System has been certified by SRAC and IQNet.

#### • OPCOM

OPCOM operates in accordance with the provisions of the Electricity and natural gas law 123/2012, with later amendments and additions, of Law 220/2008 establishing the promotion system for electricity generation from renewable energy sources, with later amendments and additions, with the licences granted by the National Regulatory Authority in the Energy domain, namely Licence 407 (revision 3/2015) and Related conditions for the administration of centralised electricity markets, Licence 1798/2013 and Related conditions for the administration of centralised natural gas markets and with the secondary legislation issued and approved by the Competent Authority, the Regulation of organisation and operation of OPCOM and the other regulations, codes, procedures and internal guidelines of OPCOM.

At the same time OPCOM's activity and development take place so as to provide the company's achievement of the objectives and responsibilities assigned to it by the governmental plan, the national energy strategy, the governmental memorandums and decisions, the covenants assumed by the Romanian State against international financial institutions. In addition, the activity and development of OPCOM agree with the provisions of the European legislation of

proper applicability for its role and responsibility.

The main activities conducted by OPCOM are: organising, administrating and supervising the centralised electricity markets, administrating and supervising the centralised natural gas market.

#### • TELETRANS

TELETRANS operates a transmission infrastructure relying on NZ-DSF (ITU-T G665) optical fibre support, included in the protection conductors of 220 kV and 400 kV overhead lines (OPGW).

The geographical coverage of this infrastructure is national being about 5,000 km long, with more than 150 transmission nodes and access to the optical fibre network, being present in 35 county capitals, with cross-border connections in the region (Hungary, Bulgaria and Serbia) and a structured network. This network is extending both by new links due to the new transformer substations and by new cross-border connections to be built in the future (with the Republic of Moldova and Turkey).

At present TELETRANS operates two data networks:

- A SDH backbone of about 5,000 km and national coverage, having redundant topology with 9 rings, dedicated to services for Transelectrica;

- A DWDM&IP/MPLS backbone of about 4,000 km, national coverage, of redundant topology with 4 rings. This network is the property of TELETRANS; it was designed and made by the specialists from TELETRANS, being dedicated to market services.

The most part of TELETRANS activity consists in the provision of IT&C services for Transelectrica - above 80% of the company's turnover, the other 20% being the provision of services for other customers, generically called "third party clients".

### **3. The Company's policies adopted to reach the objectives**

#### **• SMART**

SMART would like to consolidate its position on the service markets in the electrical installations domain, also including those in the nuclear sector, both internally and externally, by means of activity diversification.

SMART activities are carried out on the background of integrating the Quality Environment, Labour Security and Health Management Systems, managerial control (SIM).

To this effect, the highest level management establishes every year the company's SIM Policy as an integrant part of the general strategy which aims at planned, efficient and sustained activities, targeted towards the operation of the integrated management system within its entire structure and all its activities, including the economic ones. The policy establishes the general objectives, which specific objectives are derived from, being determined by the organisational entity. These are measurable and feasible, so that their achievement can be easily assessed. Such objectives are assessed during the annual "management analysis" meetings. Following such reviews, a new plan of objectives results, as well as a schedule to improve activities.

The priority objective and permanent concern of each employee is to satisfy the requirements and expectations of our customers, executing high quality work, under safety, promptness, efficiency terms, while protecting the environment and providing labour security and health for personnel, both in order to retain the confidence of current clients and to gain potential ones.

#### **• OPCOM**

a. OPCOM's 2017-2019 overall development strategy

The overall development strategy for 2017-2019 of OPCOM relies on the following general principles:

i. Carrying out the necessary actions in order to achieve OPCOM's mission to provide the reference electricity prices and the signals of future prices for electricity and natural gas, meant to enhance the general transparency and integrity of Romania's wholesale electricity market, supporting the market liberalisation process and its integration in the single European market.

ii. Developing those market mechanisms used in order to transact electricity, natural gas and associated market products, as well as improving the current market mechanisms for all transaction time horizons, so that they can sustain the objectives of national energy strategies, as they are established in the specific national legislation.

iii. Integrating electricity in the European single market mechanisms, an objective for which OPCOM, together with the other national entities involved, should implement the framework, mechanisms and technologies that represent elements from the European integration solutions for the day ahead and cross-border intra-day horizons.

iv. Continuing the corporative, technical and technological development so that OPCOM can permanently, reliably and safely perform the responsibilities devolving to it in accordance with the legislation and in full conformity with the provisions from the national primary and secondary legislation and from the European applicable legislation, while also supervising the harmonisation of its own development process with the commercial evolution of market mechanisms, its trends and risks, as well as the market maturity level.

v. Continuing to apply the modern management measures under higher quality terms and providing company administration while fully observing the applicable legislation under efficient effective terms.

vi. Continuing the corporative development in view of maintaining the stable sound company operation, while achieving all its responsibilities at high continuity and performance and providing efficient implementation of development programmes.

b. Quality policy and the general objectives in the quality domain

OPCOM focuses all its efforts and resources to provide qualitative activities, to which effect the company decided to maintain operational the Quality Management System at designed updated parameters, as an integrant part of its business.

Principles used in the company policy from the quality domain:

- Complying with the primary and secondary legislation as well as with the requirements of competent authorities;
- Permanent improvement and diversification of services provided to market participants;
- Defining and updating the responsibilities under the quality system management;
- Tailoring and increasing the personnel training in view of achieving their tasks and attributions in accordance with the responsibilities defined by applicable regulations;
- Analysis and implementation of opportunities to improve the activity resulting from internal and external audits and other quality insurance check-ups;
- Permanent assessment of the results of the Quality

Management System and the compliance of the policy in the quality domain;

c. Security policy and the strategic security objectives

OPCOM permanently aims at carrying out its responsibilities on the national and European electricity and natural gas markets, while providing the security of information at the highest standards by implementing and operating a Information Security Management System in full conformity with ISO 27001:2013 international standard, as well as by continuously monitoring and improving it.

OPCOM is aware that the attributes of the Information Security Management – confidentiality, integrity and availability – constitute integrant parts of managerial functions. OPCOM management considers such attributes as main fundamental responsibilities for the good organisational practice regarding application of proper security measures, tailored to the other requirements from the ISO 27001 international standard.

The responsibility to sustain and observe this policy belongs to the entire organisation, under the guidance and assistance of top management that encourages the engagement of all the personnel in approaching Information Security as part of professional competences.

#### • TELETRANS

TELETRANS established four main strategic objectives, which will be reached by means of a structure of operational objectives, strategies and actions provided in detail:

Strategic objective I: Providing all IT&C objectives necessary for the achievement of Transelectrica's activities under optimum terms, compared both to

the parent Company's strategic profile and to the dynamics & interdependence of the energy and IT&C domains at national and European level.

Taking into account the development of the IT&C market in Romania, as well as the conditions specific to the activity performed, TELETRANS will continue developing the service package offered to Transelectrica. The 80% of the turnover obtained from the contracts with Transelectrica will be maintained in the near future, the parent Company remaining the most important client of TELETRANS.

The segment covered by TELETRANS operations - IT&C for the national electricity transmission infrastructure and for system services - represents in itself a critical infrastructure according to the current EU approaches, which is managed under specific conditions successfully assumed by TELETRANS in more than 13 years since it has been providing services to Transelectrica and other clients.

Further on the service package offered to Transelectrica will be constantly tailored depending on the parent Company's objectives and projects where the expertise of TELETRANS can be of use, beginning with the upgrade of the EMS/SCADA system for the balancing market up to providing IT security for the critical infrastructure of Transelectrica.

Strategic objective II: Increasing the competitive degree on the national and regional IT&C market, while maintaining the quality standards of provided services.

Globally, the development trends of the telecommunication sector include constant development of data traffic and internet service verticals, as components of a complex offer meant to satisfy the particularities of demands from consumers ever more interested to accessing the data content of electronic devices at certain

quality level, which implies a certain speed and content level.

Also, the attention paid to information security increased exponentially within companies, and in the context of the new European legislation in the domain this trend will be perhaps maintained, generating a consistent demand of IT security services.

All these represent development opportunities of the service and clients portfolio of TELETRANS, provided its offer to be tailored to the new market requirements both with respect to quality and to the complexity of provided services.

Strategic objective III: Increasing productivity and the quality of provided services

The essential condition to keep the current clients and to add new ones in the portfolio is to maintain the quality parameters assumed and to take the necessary steps in order to detect the optimum solutions in terms of their needs.

With a view to provide tailored solutions both to technological developments and to the market dynamics a proper investment / development plan is taken into account, as well as the human resource training and certification in accordance with the highest training standards in the domain. Also a greater importance will be assigned to promoting employees' involvement, initiative and creativity by implementing the performance management.

The approach will be both reactive: supervising the SLA level of every client/service while detecting the non-operation causes and applying possible corrective measures of improvement, and proactive: preventive actions to maximise the SLA level; applying redundant technical solutions for service provisions.

Making the necessary investments in the technical infrastructure operated and training the human resource will lead to



increased revenues and productivity as well, in the short- and mid-term.

The IT managerial solutions and the IT&C infrastructure are also targeted in view of efficient activities and managerial & productive processes, as well as the achievement and implementation of workflow-type IT applications in order to monitor the SLA provision for contracts underway, supervise orders etc., which are essential in fluidising technical processes.

Strategic objective IV: Improving the profitability parameters

Service provision at optimum quality and continuity parameters can be exclusively assumed under economic viability conditions certified by compliance with the profitability coordinates, which have characterised the activity of TELETRANS from the beginning and are clearly regulated in the legislation applicable to the company.

During the reference period the turnover will be determined mainly by the value and diversity of services provided to the parent Company, as there is constant concern to detect the technical solutions that best fit Transelectrica's development and improvement needs.

The dynamics of the turnover will be influenced (within the range of 20%) by the revenues associated to the third party clients, partially conditioned by the continuity of the contract on the utilisation of optical fibre.

The development of both components will be conditioned by the achievement of necessary investments.

Profit levels will be managed by means of profit centres specific to the main activities so as to provide constant monitoring of expenses and of viable solutions to reduce them.

## 4. Risk management system

### • SMART

When planning the integrated Risk management system SMART takes into consideration the elements determined during the analysis of the organisational context and the stakeholders' requirements, while also determining the risks and opportunities which should refer to:

- Relative risks in the operation of the Management System, which can impact its wilful outages;
- Elements and requirements determined during the analysis of the organisational context and the stakeholders' requirements;
- Environmental aspects;
- Dangers associated to labour security and health;
- Compliance obligations;
- Other risks determined by organisational entities, resulting from their activities;

An uniform risk and opportunity detection, assessment and management framework has been established within SMART with respect to achieving the objectives, environmental aspects and compliance requirements, determined during the review of the organisational framework, stakeholders' requirements, including the requirements of the Managerial control system described in the internal procedures.

Risk treatment methods can include: risk avoidance, taking the risk into consideration when exercising an opportunity, eliminating the risk source, sharing or maintaining the risk by conscious decisions.

There is a risk management team within SMART appointed by decision of the General Director. A Risk account and control register is also kept, structured by:

- Operational risks – resulting from basic activities, namely from operational processes;
- Environmental risks – identified when assessing the environmental aspects and impacts;
- Labour security and health risks – detected when assessing the accident and professional illness risks;
- Other risks – resulting from the activities of organisational entities;

Examples of identified risks:

- Incomplete identification of acceptance requirements for the supplied product / service;
- Identifying an incomplete documentation in the file of works / services provided by SMART teams or upon offer elaboration;
- Association (in the execution offer and contracting stage) with partners, subcontractors, service providers that subsequently do no longer correspond to contractual requirements;
- Great personnel fluctuation, loss of qualified personnel;
- Utilisation of obsolete equipment;
- Fines, costs of cleaning the polluted areas owing to leaks/flows of environmentally damaging substances in great amounts (electro insulating oil) - with fire hazard;
- Failure to observe the compliance obligations in case the installations discharging used water into the drainage system break down;
- Failure to observe the compliance obligations, possible additional costs for decontamination in case of accidental fuel (gas oil, fuel oil) leaks or of other dangerous

substances (from the test laboratory: good or used oils, paints, acid from accumulator batteries);

- Financial gaps caused by delayed collection of invoices for executed work and by granting non-secured down payments to third parties;

#### • OPCOM

Given the specificity of its activities, a very important component of risks threatening the current company operations comes from the risks that can be generated by the provision of information security.

For the time being the main risks identified in the information security domain are:

- Absence of proper space providing continuity of OPCOM activities in case the main location (Blvd. Hristo Botev 16-18, Bucharest 3) becomes unusable because of a major disaster. At present, to this effect, additional space was allocated in the building of the Electric Substation Fundeni (village Dobroiesti, Ilfov County, str. Zorilor 69A), but it is insufficient for about 50-60 persons that might provide business continuity;
- Improper implementation of the provisions from the Regulation regarding protection of personal data;
- Cyber-attacks with increasingly complex methods ;

In order to handle them, OPCOM uses an Information Security Management System (SMSI), approved according to the provisions of standard ISO/IEC 27001:2013 ("Information technology; Security techniques; Management systems of information security; Requirements"), which also includes the risk management system. Information

security risks were assessed when the implementation of SMSI began (2015) and are annually reevaluated or every time there is the need to. The assessment methodology used was taken from standard ISO/IEC 27005:2011 ("Information technology; Security techniques; Management of information security risks"), and the risk management process comprises the following main stages:

- Risks identification;
- Risks analysis and assessment (consequences, likelihood of event occurrence);
- Risk treatment (selection of security measures, Risk treatment plan);

On 1 September 2013 Romania's Government introduced the reverse taxation mechanism for electricity procurements in view of re-selling by Ordinance 16/30.07.2013 amending and adding Law 571/2003 on the Fiscal code and regulating certain fiscal-budgetary measures, amended by Ordinance 28/27.08.2013 regulating certain fiscal-budgetary measures, as specific response to the major issue of fraud in the energy sector (VAT manipulation and different reimbursement regimes in different member states) which required fighting against by means of this mechanism as noticed and regulated at European level. Mention should be made that Romania applied this mechanism in the electricity domain and thus joined the 9 member states that decided adopting the reverse taxation mechanism in the electricity domain, namely Austria, the Czech Republic, Denmark, France, Germany, Ireland, Italy, the Netherlands and Great Britain.

Mention should be made when considering the development need and moreover when providing the efficient continued operation of centralised markets where OPCOM exercises the counterpart

role, by providing the primary & secondary legislative framework and mechanisms sustaining this objective, that an active concrete participation is necessary of all relevant authorities, namely the legislative, governmental and regulatory ones so as to identify and apply in due time the necessary measures with respect to the counterpart mechanism of the time period after 31 December 2018 as well.

There is also the regulatory risk in the operation of centralised electricity / natural gas / green certificates markets administrated by OPCOM, by delaying the application of regulations by the National Regulatory Authority in the Energy domain and / or the approval by ANRE of certain rules that subsequently can entail different interpretations by the participants to the respective markets and of ANRE as well, or even lead to major difficulties.

To prevent as much as possible such circumstances OPCOM elaborates regulations necessary for the good operation of centralised markets it manages and participates actively to improving the regulatory framework which is periodically submitted to public consultation, by elaborating and transmitting remarks / additions / amendments considered necessary.

At the same time, accident and professional illness risks in OPCOM were assessed (following which a 2.97 risk level was detected in entity-wide, situating the company in the class of entities with low accident hazard) while also providing preventive and protective measures necessary to approach such risks.

As regard to the development projects / programmes developed by OPCOM in Europe, the following activities are performed to provide viable OPCOM participation: the institution's project portfolio is detected and established; internal decisions establish the project teams carrying out cooperation activities with the representatives of the other

companies involved in multiple party European projects, including the management of the legal risk, when all involved parties agree like this to the greatest extent possible, for a certain contract elaborated in European / regional context could not be recognised by the contracting party and, consequently, the contractual obligations cannot be performed. The regulatory risk is also present in European projects, relating to the possibility of unpredictable changes in the regulations of the single European market, which might lead to circumstances when, even with rigorous preparation of the preliminary technical documentation by construction at a certain moment, the details of general formulations / requirements / clauses in European regulations might lead to different interpretations and to the need to give up certain directions, and even generate additional expenses or costs that have already been supported and cannot be recovered.

**• TELETRANS**

In terms of risk management TELETRANS draws up specific documents to this effect. Consequently the risk register contains details about the compartment where risks are detected, the objective, the inherent risk of each objective, the risk impact, the occurrence probability, the risk level, the risk minimisation measure, the implementation stage of actions and the impact of the residual risk.

Thus the information about the risks identified within TELETRANS but also the methods proposed to manage them by means of specific actions are given in detail in this register.

**Examples of objectives:**

1. Providing services under qualitative terms, while observing the provisions and obligations assumed in the

trading contracts of service provision that have been concluded;

2. Carrying out the Annual internal audit Plan;
3. Conforming the Labour Security and Health activities, Emergency Situations and environmental protection with applicable regulations;
4. Carrying out the annual Financial management control programme;
5. Ascertaining non-conformities that have significant economic-financial consequences, which occur in the verified TELETRANS structures;

**Examples of identified risks:**

1. Old and/or obsolete equipment lacking performance and spare parts, providing the following highly critical points: process IT systems (EMS-SCADA), telecommunication systems, servers, no back-up equipment, the ambient part of data rooms – climate and electric supply, as well as un-updated licences and support;
2. Failure to perform the internal audit missions provided in the annual Plan;
3. Sanctions and minor offences to the company and/or the employer in accordance with applicable legal provisions in the domain of labour security and health and/or in that of emergency situations and/or environmental protection;
4. The Control programme has not been fully completed;
5. Some cases when the norms applicable to the activities of verified structures were not observed have not been detected, with significant economic-financial impacts;

**Examples of risk minimisation actions**

1. Continuous information of the company's managerial team about the occurring problems. Executing all the preventive maintenance activities;
2. Supervising the achievement of plans and their execution within the set terms;
3. The SMM Inspector's assuming the execution attributions necessary to the Quality, Labour Security and Health Management Compartment under the current organisational and personnel structure by means of the job description elaborated according to internal procedures;
4. Re-scheduling for next year's verification of TELETRANS structures not verified and elaborating the rectified Control Programme;
5. The financial management control making a proper selection of operations performed by the verified TELETRANS structures during the control period;

## 5. Key non-financial performance indicators relevant for specific activity

### • SMART

In general the performance indicators of SMART are established together with specific objectives and with the description of operational processes, being discussed during management review meetings. From among such indicators mention can be made of:

- Client satisfaction, feed-back - For works executed under ANRE's certificate
- Indicator: annual clients' satisfaction degree (arithmetical mean of values representing the satisfaction degree of contracts completed during the

reference period) – calculated according to Order 45/07.09.2016 of ANRE;

- Monitoring the employees' health condition; Medical analyses and controls according to GD 355
- Indicator: No. of monitored employees / No. of employees \* 100 [%];
- Offers and counter-offers
- Indicator: Offers accepted & completed by order, contract / offers sent to the client \* 100 [%];
- Degree of non-conformity solving
- Indicator: non-conformities solved / non-conformities identified x 100 [%];
- Achievement degree of the audit programme
- Indicator: audits performed / audits planned x100 [%];
- Achievement degree of various control programmes
- Indicator: controls made / controls planned x100 [%];
- Degree of overall achievement of training programmes
- Indicator: programmes achieved / programmes approved x100 [%];
- Standardised metering & monitoring equipment, verified in the given period
- Indicator: standardised verified MME / MME planned for standardisation, verification \* 100 [%];
- Effectiveness of risk and opportunity treatment actions
- Indicator: Global risk level ≤ reference value;
- Waste management
- Indicator: No. of collected waste types / No. of selectively collectable waste types \* 100.

### • OPCOM

The non-financial indicators used by OPCOM are:

- Transaction quota on various electricity markets administered

(quantity transacted during the reference period on the respective market / net national consumption);

- Efficient participation to transactions on the various electricity markets administered (no. of participants that submitted offers in the reference period on the respective market / no. of participants registered on the respective market);
- Satisfaction degree of OPCOM's clients with respect to the quality of services offered for the administration of the markets / instruments placed at the disposal of market participants (expressed in grades from 1 to 5);
- Satisfaction degree of OPCOM's employees (expressed in qualifying terms: highly satisfied, satisfied, dissatisfied and neutral);
- Level of information security incidents (expressed by the number of incidents registered during the reference period);

In terms of established targets, both the general quality objectives and the over 100 specific quality objectives broken down by relevant levels from the company's organisational structure were achieved almost fully, just certain aspects could not be made for objective reasons.

#### • TELETRANS

TELETRANS aims at approaching the performance indicators in sustainable manner, based on efficient resource management and assuming a responsible conduct towards society by harmonising economic objectives with those of ethical conduct and social responsibility, as well as TELETRANS' desire to acquire a reputation of important player on the national IT&C market. Thus the following aspects are taken into account:

1. Planning and using the financial resources with a view to maximise the company's value in order to provide optimum financial profitability, solvability and liquidity.
2. Keeping financial-accounting track of documents, and calculating taxes and charges (profit tax, VAT, etc.) in order to mirror the accurate image of assets, liabilities, the company's financial position and profile.
3. Efficient management of patrimonial assets and providing the administrative services necessary for the company's good operation, so that it can achieve its objectives.
4. Preventing and countering the risks specific to the domain and referring to taxation, the credit risk, the market risk (hard currency risk, honest interest rate risk and price risk) as well as the liquidity risk.
5. Spending efficiently the company's funds under the procurement procedures conducted when managing concluded contracts. The most important aspect of procurements carried out in TELETRANS is the efficient utilisation of company resources with a view to perform activities with maximum satisfaction, both for partners and for its own employees.
6. Reducing the decision making time by applying internal procurement norms compared to applicable legislation. Taking into account the key factor in the contractual relation with the parent company Transelectrica and with third party clients is the little intervention/procurement time the department's priority is to achieve procurements within reasonable time intervals in view of fulfilling the assumed contractual obligations.

## 6. Environmental management system

### • SMART

Environmental aspects are identified and assessed within SMART every time changes occur in the process structure and activities, in products or services; in case of legislative amendments; when developing new activities, services or work; significant changes of installations and processes; installations are moved to other locations and are reviewed in view of their annual updating.

The aspects of working conditions are taken into account when environmental aspects are identified:

- Emissions during normal operation;
- Emissions during abnormal operation, namely in emergency situations, during failures or accidents;

At the same time the following indicators are also taken into consideration:

- Frequency of emissions;
- Consequences of emissions on the environment and human health;
- Risk of emission occurrence;
- Compliance with regulations;
- Public or neighbours' notifications;
- Utilisation of raw materials and natural resources;
- Other aspects relating to material and spiritual values of the local community;

Depending on the score obtained when assessing environmental aspects a list of environmental aspects with significant impact is elaborated as well as the list of possible emergency situations. A prevention plan is drawn up for each emergency situation and an environmental response capacity is provided, this plan being simulated every year.

The purpose of such plan is to react to real emergency situations, to take

measures in order to prevent or reduce the consequences of any urgent situation, adequate for the magnitude of such emergency and for the environmental impact; it should also provide relevant information and train the capacity, the preparation and the response in case of emergency.

Mention should be made the possible emergency situations, namely incidents, failures or accidents that can have particularly serious environmental impact are likely to occur only as a result of some *abnormal* operation.

Emergency situations requiring immediate intervention to limit the environmental effects will be taken into consideration whenever plans are prepared for urgent circumstances providing response capabilities.

The following possible emergency situations have been detected in the company:

- Oil leaks during application of the oil treatment / regeneration technology (on the beneficiary's location).
- Oil / fuel leaks in case a car sub-ensemble fails or a car accident;
- Possible oil leaks while handling oil recipients;

In such circumstances the execution personnel is endowed with absorbent biodegradable earth. SMART has got environmental permits from the Environmental territorial agencies (where it was deemed necessary) and provides the reports required by legislation.

There are also Environmental Management Plans approved by beneficiaries, which comprise Plans to reduce environmental impacts and monitoring plans.

Examples of environmental aspects with reduction measures:

- Environmental protection developments and site restoration to the initial condition after work

completion (natural resources and conservation of biodiversity);

Measure - Ecologic reconstruction, filling up the holes, fitting up the ground, planting trees and fine grass, restoring the natural frame when work ends;

- Conventional pollutant emissions / greenhouse gas effect ones (protecting air quality);

Measure - Preventing dust emissions during digging by spraying water in case the earth is dry and/or the wind blows. Gas leaks from transportation means and used outfits should not exceed admitted limits. One should use transportation means and outfits with normal operation. The useless operation of equipment will be avoided.

#### • OPCOM

OPCOM is highly concerned with environmental protection items, and one of the targeted goal being the reduction of electricity consumption. To this effect all the IT equipment used have been certified by Energy Star. Another technology that provides low electricity consumption is the virtualising one, which is used on a large scale and thus enabled developing the society with low electricity consumption.

OPCOM has also adopted a selective waste collection policy, also applied to the DEEE waste, beginning with the toner used and ending with the dismantled IT equipment, which is collected by specific companies.

#### • TELETRANS

In terms of environmental aspects TELETRANS elaborates a series of relevant documents such as: File to identify environmental aspects in normal and abnormal operation; File to collect data on environmental aspects; List of environmental aspects detected under

normal, abnormal operation and emergency situations for environment.

To this date no risk elements have been detected during activities, which do not have a significant environmental impact.

## 7. Social and personnel issues. Eliminating discrimination and promoting gender equality

#### • SMART

The Internal Regulation of SMART contains a specific chapter entitled - Rules with respect to observing the non-discrimination principle and to eliminating all violation of dignity – which defines and regulates the work relations in the company. Thus any SMART employee benefits of working conditions adequate for the activities performed, of social protection, of labour security and health, as well as of his/her dignity and conscience respected, with no discrimination.

The right of all employees to equal payment for equal work is recognised, their right to collective negotiations, the right to have their personal data protected, as well as the right to be protected against illegal dismissal.

When salaries are established it is forbidden to apply any discrimination on grounds of gender, sexual direction, social origin, handicap, family situation or responsibility, trade union affiliation or activity.

#### • OPCOM

As far as social and personnel issues are concerned within OPCOM, or the relation between employer and wage-earner they have been approached in accordance with the labour legislation and with the provisions of OPCOM's Collective



Labour Contract applicable in 2017, its internal Regulation, OPCOM's Regulation of Operation and Organisation, the Regulation on the organisation and application of competitions to fill the vacant positions or the Ethical and Professional Conduct Code.

The following activities are carried out in order to provide proper working conditions, health and security:

- Working places have been ergonomically laid by means of ergonomic adjustable chairs, proper positioning of the office furniture and of the computer in front of its user, the lighting source, the air conditioning equipment;
- The health condition of employees is monitored by permanently providing specific assistance;
- Clean working environment is provided by one's own personnel, as well as by cooperation with specific companies in order to: dispose of domestic waste, clean the outside surface of windows, maintain air conditioning apparatuses, provide bottles and maintain the drinking water dosage devices;
- The condition of the individual protection equipment is permanently checked as there are activities requiring such outfit (e.g. the cleaning/maintenance personnel, electricians) which is periodically renewed or every time it is prematurely worn out.

As far as professional training is concerned, both in terms of its delivery in view of providing chances, and in terms of treating/removing any possible lack of expertise in certain domains, it is provided in accordance with the applicable labour legislation and with internal regulations.

Consequently, professional training of employees had the following main objectives in 2017:

- Full employee adaptation and integration with job requirements;
- Updating the knowledge and improving professional training;
- Acquiring advanced knowledge, up-to-date methods and procedures, as required for professional activities;
- Developing the communication capacity in professional situations;
- Stimulating the innovative capacity applicable within the limits of assumed liability;
- Developing and implementing new projects, which led to diversified main activity; the successful implementation of such objectives meant a sustained effort from employees involved in projects the year round, including by operating their new knowledge, abilities and competences acquired after professional training and improvement courses;

As regards to the workers' right to be informed, at the beginning of 2017 the executive management informed the employees about the social expense fund, thus concluding a protocol with the social partner for such expense allocation and settling a quota of the expenses with holidays, corrective glasses etc.

Employees have been also informed about certain contributions that have been transferred from employer to employee, amendments made in the fiscal legislation after publication of GEO 79/08.11.2017 in the Official Gazette, which regulates the transfer of social contributions from employer to employee.

The 2017 meetings between employer and trade union pointed out the parties' willingness to dialogue, such

meetings with the social partner being followed by concluded protocols. The purpose of such meetings was to negotiate some amendments and additions in the Collective Labour Contract in order to tailor its provisions to the amendments in the fiscal legislation, by regulating passage of a part of social contributions from employer to employee, as well as negotiations on the utilisation of the wage fund, the grant of extra-salary benefits to employees etc. Trade union rights have been always observed in the company.

As regards the fight against discrimination and promoting diversity, the non-discriminating principle is observed within OPCOM and it is applied together with the removal of all forms of dignity trespassing, according to applicable legislation, the internal regulation or the Ethical and Professional Conduct Code.

In accordance with the Ethical and Professional Conduct Code OPCOM observes and guarantees equal non-discriminating treatment of employees, participants on the administered markets, company partners and co-workers.

In exercising their position, OPCOM employees are obliged to observe a professional behaviour and to provide transparency, impartiality and efficiency in order to gain and keep the confidence of participants on the administered markets, of partners and co-workers.

The Internal Regulation of OPCOM structured rules about the compliance with the non-discrimination principle and removal of all dignity violation, and the employer has the prerogative to provide disciplinary sanctions as per legal terms to employees that perpetrate direct discrimination deeds at their working place or sexual harassment.

#### • TELETRANS

As far as social and personnel issues are concerned, the activities carried

out in TELETRANS to provide gender equality, labour conditions, health and safety refer to devising the human resource policy under a wider strategic planning, which aimed at setting up a structure of objectives, action plans and procedures that should allow correlating managerial steps with the dynamics of the environment outside the company both with respect to the market and with respect to the technological & legislative development.

The human resource policy has been constituted taking into account the human resource management that is relevant in all company activities and can make the difference between a successful company and a failing one.

The human resource policy of TELETRANS was devised starting with the following principles:

1. The equal treatment principle in terms of gender, sexual orientation, genetic features, age, nationality, race, skin colour, ethnic group, religion, political option, social origin, handicap, family situation / responsibility, trade union affiliation or activity.
2. Providing proper working conditions for the performed activities, social protection, labour security and health, as well as respect for employees' dignity and conscience.
3. Legality principle- The human resource policy complies with the applicable legislation, internal regulations and good practice in the domain.
4. Consensus and good faith principle- For a good development of labour relations the participants to such relations will get informed and mutually consult one another as per legal terms and according to the applicable Collective Labour Contract.

In the sense of the above TELETRANS provides personnel recruitment and selection while observing the equality of gender, working conditions as well as job requirements with respect to required abilities and special training in accordance with specific internal procedures.

## **8. Fighting corruption and bribery**

### **• SMART**

The Ethical Conduct Code of SMART provides a set of rules by which the company has developed ethical behaviour rules for business and prevention of illicit and illegal actions, which might occur during business in the company.

The Ethical Conduct Code identifies ethical practice and standards accepted unilaterally, being defined as a set of rules determining what is right and what is wrong in the employees' conduct, systematic reflection over the moral consequences of a company's decisions. Developing the Ethical Conduct Code is a basic component of the company's transparency, authenticity and responsibility to shareholders, community and environment. It is not a guarantor of such, but a good premise of creating and implementing ethical values, responsible behaviours and operations.

The Ethical Conduct Code and the Internal Regulation are obligatory and applied in all SMART structures, being notified to the company's co-workers, suppliers and partners.

### **• OPCOM**

In accordance with Law 176/2010 regarding integrity when exercising public positions and dignities, amending and adding Law 144/2007 on the establishment, organisation and operation

of the National Integrity Agency, as well as amending and adding other norms, persons holding managerial positions within OPCOM submit, beginning with 2010, and update annually statements of wealth and of interests.

At the same time in accordance with the National Anticorruption Strategy in 2016-2020, with the sets of performance indicators, risks associated to the strategic objectives and measures and verification sources, the inventory of institutional transparency and corruption prevention measures, assessment indicators as well as the standards for the publication of public interest information, in November 2016 OPCOM signed the adhesion Statement to the fundamental values, principles, objectives and the monitoring mechanism of the 2016-2020 National Anticorruption Strategy, and in January 2017 it elaborated OPCOM's Integrity Plan for 2016-2020. This plan was approved by the Board of administration of OPCOM and in February 2017 was transmitted to the Ministry of Justice.

The Integrity Plan of OPCOM for 2016-2020 has been structured by three general objectives: preventing corruption, educating OPCOM's employees and clients and fighting corruption. The fore-mentioned general objectives are distributed into specific objectives, which are assigned execution measures. All measures with deadlines in 2017 were carried out, one of them being the elaboration and implementation of OPCOM's Ethical and Professional Conduct Code, in December 2017.

### **• TELETRANS**

As far as fighting corruption and bribery is concerned in TELETRANS a Professional Ethical Code was elaborated company-wide and published on the company's site.

A professional ethical counsellor works in the Human Resource

Compartment and persons with ethical counselling attributions have been locally designated in the country agencies and centres that quarterly / annually send written reports about the employees' compliance with conduct norms.

The proper existence, but moreover respecting an ethical code is important against the background of its major impact over behaviours and decisions, which is mirrored within companies. Consequently, TELETRANS aims at clearly setting reference points for ethical behaviour, which should be recognised by all company employees. All the provisions of the Professional Ethical Code clearly establish 'what is wrong and what is right' in the company, what is accepted or tolerated and what is not allowed.

The Professional Ethical Code guides the employees to solve the problems they are faced with. At the same time they are shown the accepted mode of settling conflicts and are specified the

sanctions applied in case the code provisions are violated, thus providing organisational operation based on its own moral standards.

Using the human resource policy and the implementation of the Professional Ethical Code TELETRANS wants to lay the bases of harmonious development for organisational culture based on correctness and responsibility towards employers, employees, clients and society at large.

Legal requirements have been implemented within TELETRANS SA in the transparency domain - the Memorandum on higher transparency and standardising the display of public interest information (GD 583/2016 approving the National Anticorruption Strategy, Law 544/2001 regarding access to public information, Law 176/2010 regarding integrity when exercising public positions and dignities).

## **GLOSSARY**

ANRE – National Regulatory Authority in the Energy

CNCAN – National Commission for Nuclear Activities Control

FORMENERG - SC FORMENERG SA

OPCOM – The Power Market Operator – OPCOM SA

OUG – Government Emergency Ordinance

SDH – synchronous digital hierarchy

SLA – service-level agreement

SMART – The Company for Transmission Grid Maintenance Services "SMART" SA

TELETRANS - SC TELETRANS S.A.