



ROMÂNIA MARE

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Intocmită de G.Pop.



- Legenda:**
- capitala de județ
 - oraș, ○ sat
 - cale ferată
 - linii ferate în construcție
 - frontiere
 - limite de județ



Transelectrica®
ROMANIA
1918-2018 | SĂRBĂTORIM ÎMPREUNĂ

SUSTAINABILITY REPORT 2017

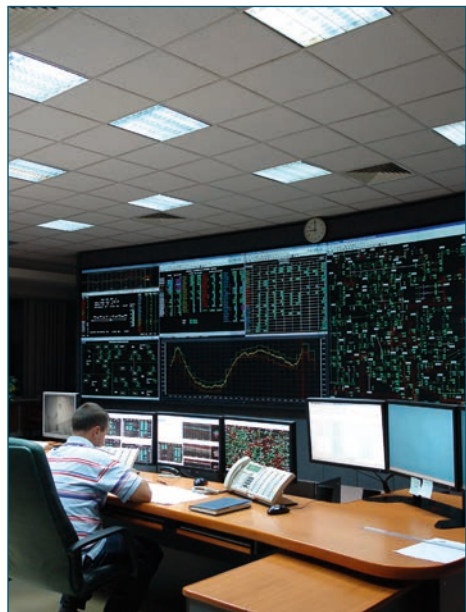
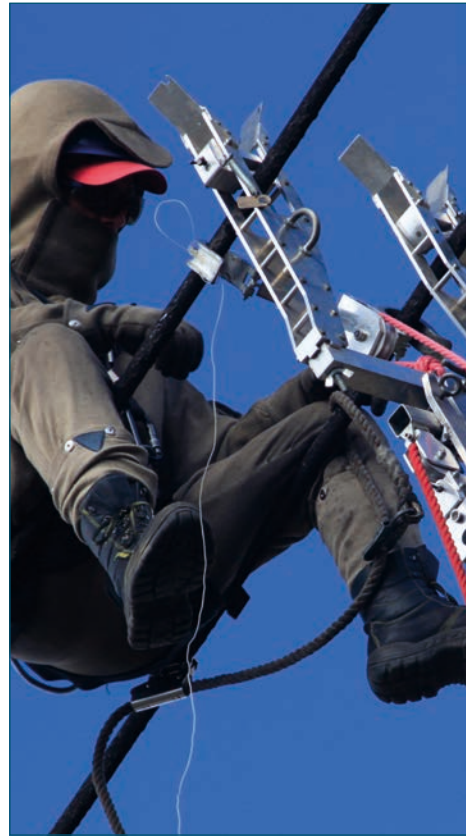


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Statement of the responsible persons

The information presented in the Transelectrica Sustainability Report for 2017, prepared in accordance with the Global Reporting Initiative Standards, in compliance with the European Directive 2014/95/EU transposed into the Romanian legislation through the Ministry of Public Finance Order no. 1938 of August 17, 2016, provides a fair and consistent picture of the reality regarding the non-financial aspects, part of the ongoing business, with impact on the Company's development and sustainability.

Georgeta-Corina POPESCU
Chief Executive Officer
Chairman of the Executive Board

Andreea Georgiana FLOREA
Member of the Executive Board

Florin Cristian TĂTARU
Member of the Executive Board

Dan Valeriu ARDELEAN
Member of the Executive Board

MESSAGE FROM THE EXECUTIVE BOARD

Dear investors, shareholders and partners,

For the first time, Transelectrica publishes a sustainability report, developed in accordance with the Global Reporting Initiative (GRI) - Core standards. It is a document that refers to 2017, a year that opened a new stage for the Company's development, with a clear orientation towards investment, sustainability and predictability.

Transelectrica operates over 9,000 kilometers of 110kV, 220 kV, 400 kV and 750 kV overhead power lines and 81 transformer power stations. Half of them are upgraded and the rest will be refurbished or upgraded in the next period. We have more than 2,100 employees in the central structure and the eight branches.

Through Transelectrica, a strategic company at national and regional level, Romania is a strong voice in Europe in terms of energy security. That is why durability, sustainability and innovation are values which we are building our course on and which we embrace in order to ensure the safe functioning of the energy system both in Romania and in the region.



Our preoccupation with responsibility towards the communities we work in comes mainly from working in a high-risk area where people's safety and environmental protection are a priority. That's why Transelectrica's sustainability strategy is centered on people, the community and the environment.

We believe that a durable and sustainable company builds its future timely and relies on people.

The training of young energy professionals is a consistent part of our sustainability strategy. In this respect, through the corporate social responsibility projects that have been developed in the last year, we have focused our efforts on supporting young professionals in the field.

The year 2017 had its challenges considering the more difficult financial context, yet Transelectrica reaffirms and strengthens its commitments regarding sustainable and durable development.

Board of Directors

Dan Valeriu ARDELEAN
Member of the Executive Board

Andreea Georgiana FLOREA
Member of the Executive Board

Georgeta-Corina POPESCU
Chief Executive Officer
Chairman of the Executive Board

Florin Cristian TĂTARU
Member of the Executive Board

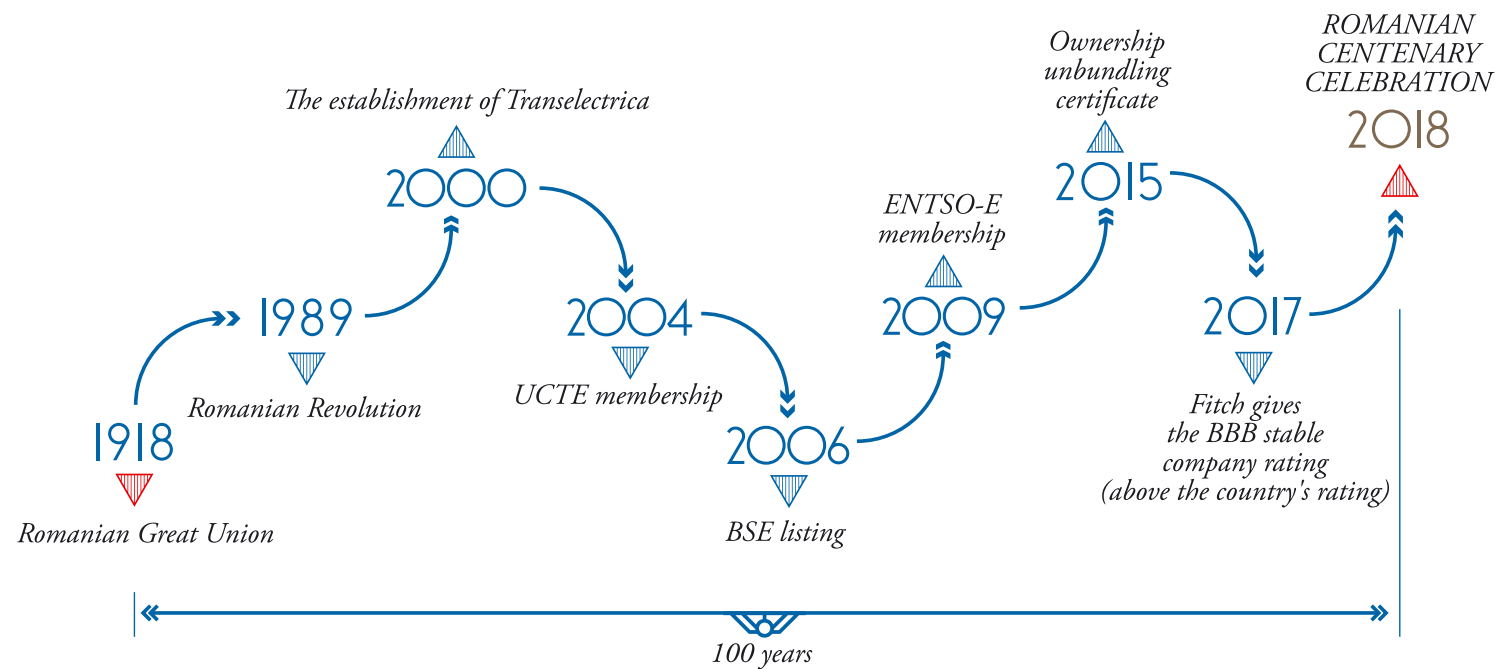
COMPANY IDENTIFICATION IN THE NATIONAL AND EUROPEAN CONTEXT

In the value chain of electricity activities, Transelectrica occupies the central place of transport and system operators, a regulated natural monopoly activity, with the task of ensuring the public transport of electricity while simultaneously maintaining the safety of the national energy system, in non-discriminatory access conditions for all users.

Strategic company in the national and regional context, Transelectrica also ensures the functions of the balancing market operator, the measurement operator and the capacity allocation operator on the interconnection lines.

The business model corresponds to the standard profile of a Transmission System Operator (TSO),

which is designed as a unitary model at European level through European energy strategy and legislation, applied in all Community countries and transposed as such within the national legal framework.



As a strategic energy company, Transelectrica moved from the national dimension to a pan-European approach in its activity.

At the European level, the energy sector is in a process of profound transformation.

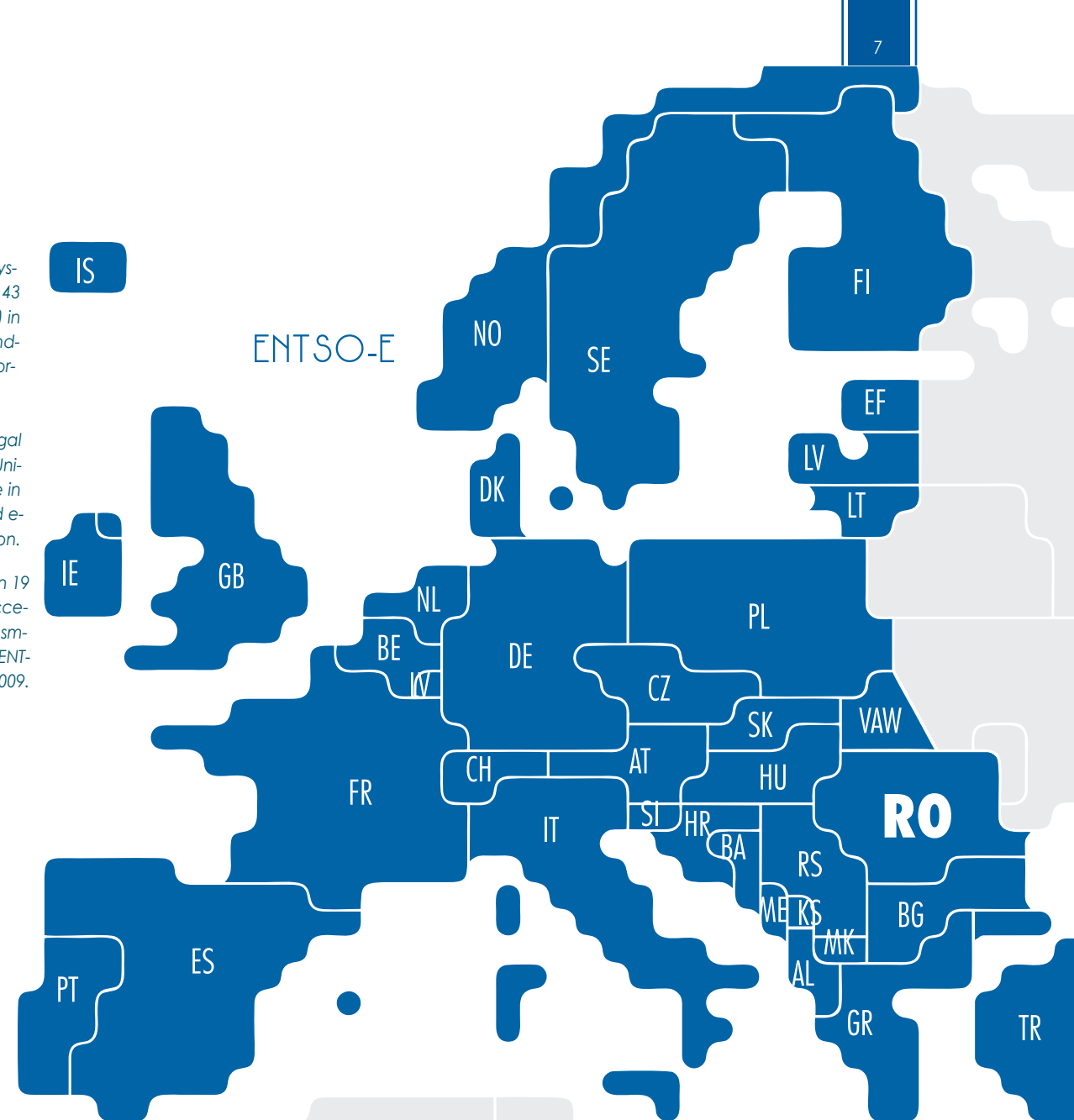
The emphasis is placed on the transition from a predominantly national evolution and development model to an integrated European level and coordinated energy sector which would ensure unitary development at the continental level but will also allow national specificities adaptation and the pursuit of European countries' legitimate interests.

As an integral part of the European interconnected system, Transelectrica is responsible not only for the functioning of the Romanian power system in the safety and quality parameters and for the supply of the national consumers, but also for the extension of its competence and responsibility together with the other Transmission System Operators (TSO) Europe-wide (36 countries with 532 million consumers).

ENTSO-E, the European Transmission System Operators Network, representing 43 Transmission System Operators (TSOs) in 36 countries across Europe thus extending beyond the European Union borders.

ENTSO-E was set up and received legal mandates under the third European Union Energy Internal Market package in 2009 to further liberalize the gas and electricity markets in the European Union.

This was set up in the city of Brussels on 19 December 2008 by 42 TSOs as the successor to six regional associations of transmission system operators for electricity. ENTSO-E became operational on 1 July 2009.



Transelectrica, a member of the European Transport and System Operators family

The Romanian power system has been integrated into the European electricity transmission system long before Romania's accession to the European Union.

Since October 2004, Transelectrica has become a partner of power transmission companies across Europe, as a member of the UCTE, ETSO and ENTSO-E Associations.

ENTSO-E (European Network of Transmission Operators and Electricity System) promotes important energy policy issues in order to advance the completion and function of the internal electricity market and cross-border trade and to ensure optimal management, coordinated exploitation and a healthy technical evolution of the European electricity transmission network.

Transelectrica, the European institutions partner in the elaboration of the new legislative energy package

European energy and environmental policies, endorsed by the successive legislative packages approved at the European level, are geared towards increasing safety in energy consumption, increasing energy efficiency, decarbonising the energy mix by integrating renewable sources and implementing effective solutions for efficient energy storage.

As part of the European family, by belonging to ENTSO-E, Transelectrica is a valuable partner in the development and negotiation of the legislative packages applicable to the energy sector.

The European Network Codes are documents that regulate aspects of the synchronous inter-connected electricity systems operation and the national electricity markets harmonization and integration, facilitating the implementation of a single European energy market.

Through its technical and operational expertise, as a TSO, Transelectrica has been a very active

Transelectrica, strategic partner in the progress of the European electricity transmission network development plan for the next 10 years

Electricity transport networks play a crucial role in meeting European aspirations, especially in terms of consumer safety, the formation of a common energy market and the integration of renewable sources.

Within the ENTSO-E, integrated and coordinated planning of the pan-European transport infrastructure development (TYNDP: 10-year Eu-

Transelectrica, a valuable partner in European projects

Along with the energy regulatory framework adoption negotiations, a number of projects are underway at the TSO's level, aiming at the implementation of the European single energy market, the European network codes application or the investigation of the new legislative package „Clean Energy Package" specific aspects.

The Romanian electricity market integration into the European internal market is a major objective for Romania, circumscribed to the strategic objective of creating the European Internal Energy Market (IEM), a priority for Europe, which requires coherent measures and joint efforts by all the involved entities: Ministeries, Regulatory Authorities, Transport and System Operators,

partner both in the development of codes within the ENTSO-E structures, but also in the negotiation stages at the European Commission and European Parliament level.

At the end of 2017, the process of comitology and approval by the European Commission and European Parliament of the eight network codes was completed, becoming a mandatory Community legislation with a European regulation regime, regulations directly applicable to Transelectrica's activity. Today, Transelectrica is implementing an extensive program for transposing the provisions of these regulations into the company's activity.

European transport network masterplan) is carried out, the main corridors and priority projects (the list of PCI projects) are identified and incentive mechanisms are used to speed up their implementation (the one-stop-counter at national level for obtaining approvals, financial community assistance eg: the Connecting Europe Facility instrument)

Power Exchanges.

Operating since 2014 in the 4M MC coupled market (Romania, Hungary, Slovakia and Czech Republic), Transelectrica became a partner in the Eastern European region projects (CORE region), while being active in the South-Eastern Europe, thus expanding its scope of engagement and competence across Europe.

Simultaneously with the market coupling projects and the coordinated allocation of cross-border transport capacity, Transelectrica is part of the development and operationalization projects of Trans-European balancing energy erasing platform for replacement reserves.

These platforms will help optimize the process of balancing power systems at the European level, generating economic and social welfare and contributing to the increase of European consumers' electricity supply security.

Projects: TERRE – Trans European Replacement Reserve Exchange (the creation of an informatic platform – LIBRA – dedicated to the trading of bids for the participating power systems' substitution reserves), MARI – Manually Activated Reserves Initiative) the development of an European balancing platform for trading reserves with manual activation for restoring frequency – mFRR), PICASSO – Platform for the International

Coordination of Automated Frequency Restoration and Stable System Operation (the establishment of an European balancing platform for exchanges of automatic transmission reserves between TSO's, for frequency restoration) and IGCC – International Grid Control Cooperation - Imbalance Netting (the establishment of a single European imbalance netting platform in order to reduce energy balancing costs) are some examples of European projects where Transelectrica is actively involved.

LICENSE AND CERTIFICATION

Concession and License

Transelectrica owns the goods belonging to the public domain of the state in concession, namely the power transmission grid (PTG), and it is a public utility company.

The PTG concession and the land on which it is located was granted for a period of 49 years under the concession contract no. 1/29.06.2004, concluded between the Ministry of Economy and Commerce as a concession authority and Transelectrica as a concessionaire.

Transelectrica's activity regulation is carried out by the primary legislation (the national framework being the Law 123/2012 and the European one being made by the Directive CE/72/2009 and Regulation 714/2009) and the secondary legislation issued by ANRE – materialized in licenses, establishment permits, methodologies charging (type of transport ceiling and cost plus system operation, tariffs, framework contracts, procedures and others).

Transelectrica carries out its activity of transmission system operator in Romania according to License no. 161/2000 for the provision of electricity transmission and system services and for the management of the balancing market, granted by Decision no. 865/22.12.2000 of the

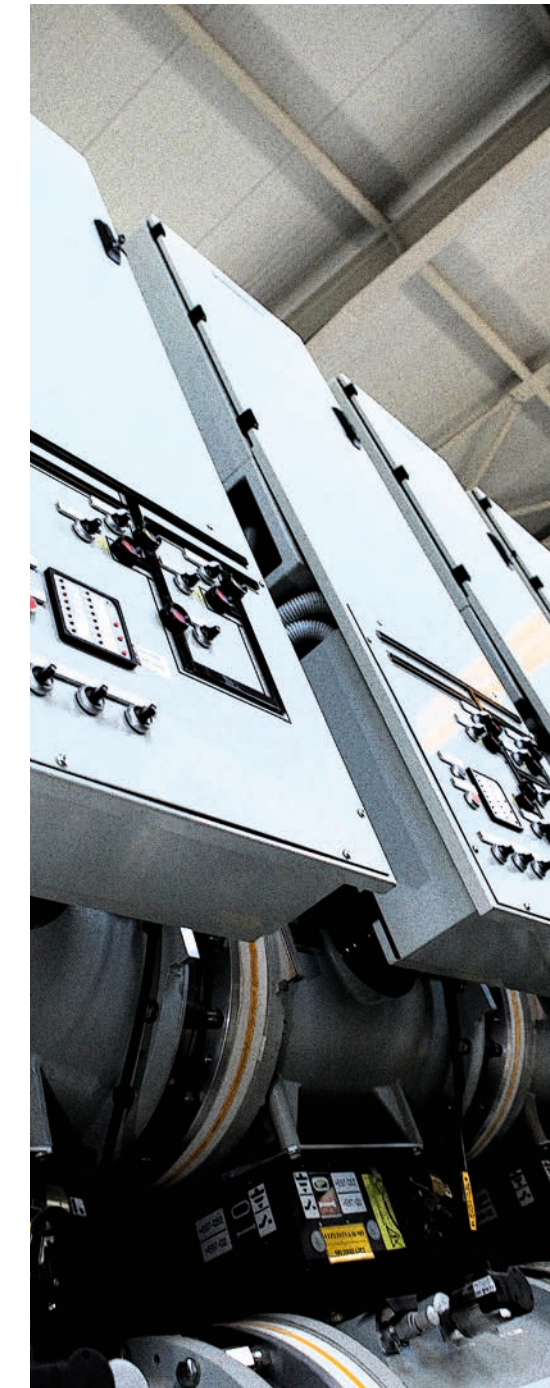
Chairman of the Romanian Energy Regulatory Authority (ANRE), updated by ANRE Decision no. 802/18.05.2016.

The license was granted for a 25-year period, being valid until 22.12.2025.

Certification

According to the provisions of Art. 31 of the Electricity and Natural Gas Act no. 123/2012, as subsequently amended and supplemented, the certification of the transmission and system operator (TSO) of the NPS is carried out by ANRE pursuant to a certification procedure.

Pursuant to the final Approval of the European Commission 7053 from 12.10.2015, in accordance with Article 3(1) of Regulation (EC) no. 714/2009 and Article 10 of the Directive 2009/72/EC, ANRE ascertained that Transelectrica fulfilled the legal requirements regarding its certification as transmission and system operator of the NPS as per the ownership unbundling model, and the Regulatory committee of ANRE approved Transelectrica's certification; in this regard, ANRE Order no. 164/07.12.2015 was issued.



MISSION

The sustainable conduct of electricity transport and the system service for all the network users, under non-discriminatory and sustainable conditions and with the purpose of maintaining the operational safety of the national energy system. The retention of a key role in the Romanian South-East European electricity market, by also supporting the operation and integration of energy markets. The ensurance of exploitation, maintenance, modernization and sustainable development of the electric transport network in order to keep the national electricity system stability, in conditions of economic efficiency and quality.

VISION

Considering that Transelectrica is at the confluence of the central-west Europe (CORE) and south Europe (SEE), the company aims to become a turntable between the two regions, thus being a factor of security and sustainability.

Transelectrica also aims to be an integrated part of the society based on solid principles by promoting responsible people in its team and supporting the development of value in all its structures.

VALUES

The underlying values for the entire activity are sustainability, integrity, professionalism, respect, social responsibility. Opinion diversity is appreciated within the Company, regardless of hierarchies and we believe that exchange of opinions can be a driver for evolution.



STRATEGY AND DEVELOPMENT PLAN

Transelectrica plans the development of the PTG, taking into account the current stage and the forecasted development of consumption, the generation units pool and the electricity exchanges, and biannually drafts a Development plan for the next 10 successive years and submits it for approval to ANRE and the grid owner.

The PTG development plan is a public document which presents the main aspects pertaining to the current situation and the forecasted development of the PTG for the following ten years, being available to stakeholders.

The PTG development plan takes into account the requirements and priorities set out in the National Energy Strategy and Policy. These are determinative references in order to identify priority directions and to forecast the energy sector evolving trends considered in planning.

Being part of the European energy system, Tran-

selectrica develops the PTG Development Plan in line with the „Ten-Year Network Development Plan" (TYNDP).

The Company's development strategies are complementary with and aligned to the European level strategies. Thus, in the transport network operated by Transelectrica, there are developed projects with major importance in the European network, included on the common interest list of projects (PCI).

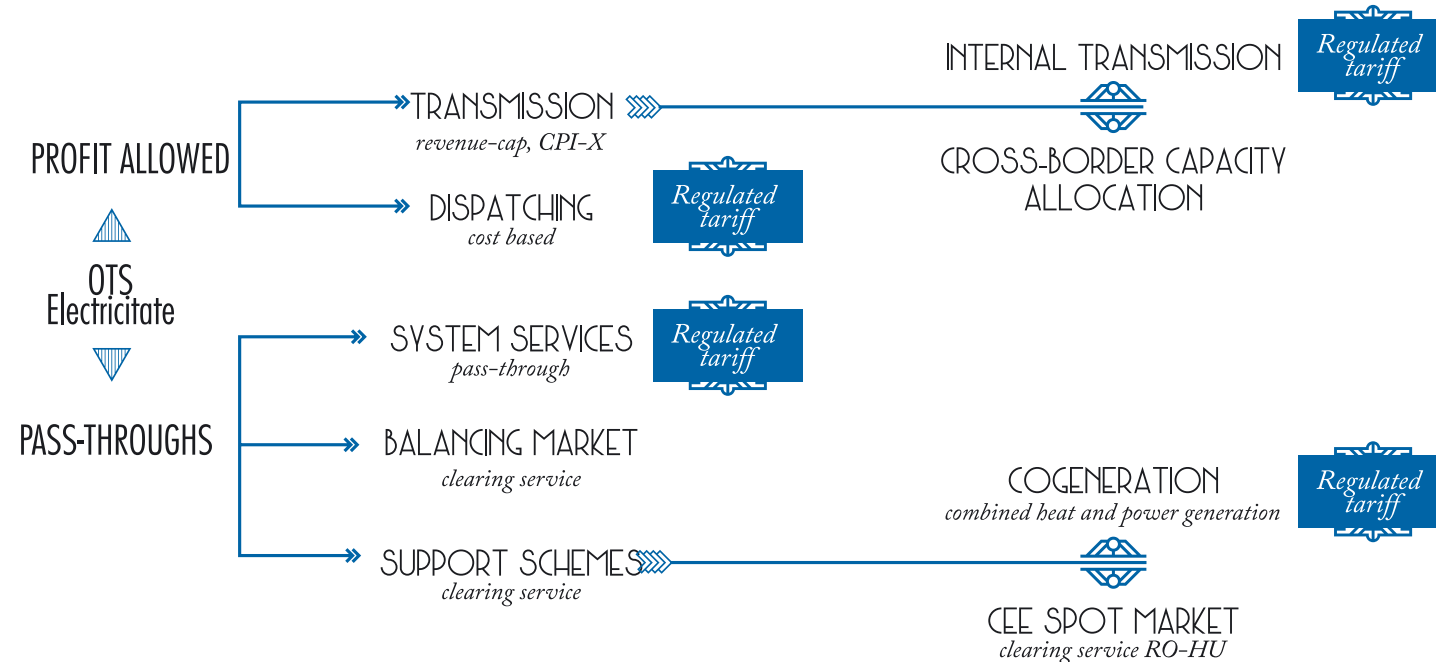
Main activities

The transmission system operator with a key role on the Romanian electricity market, Transelectrica, has among its attributes the management and operation of the electricity transmission system and the ensurance of electricity exchanges between Central and Eastern European

countries as ENTSO-E member.

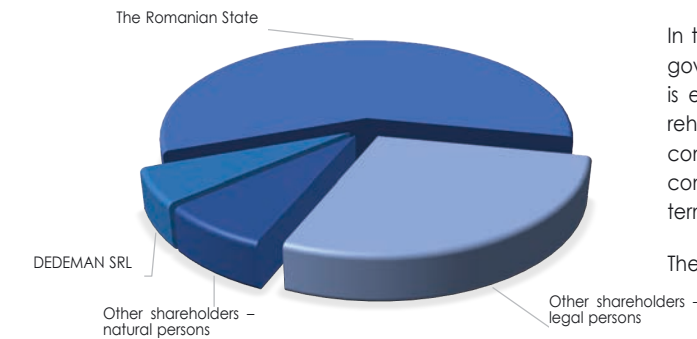
According to its licencing conditions, Transelectrica conducts the following regulated activities:

- The provision of the electricity transmission services and the measurement of electricity on the wholesale market as a measuring operator;
- The provision of system services through dispatches, using specific systems and facilities;
- The organization and management of the balancing market as the administrator of this market.



Starting 2006, Transelectrica is listed at the Bucharest Stock Exchange

The year 2006 was the starting point for a lasting relationship with the Company's shareholders. The shares issued by the Company can be traded on the regulated market administrated by the Bucharest Stock Exchange at the Premium category under the TEL symbol.



Shareholder's structure as of December 31st, 2017*

SHAREHOLDER	SHARES	WEIGHT (%)
The Romanian State	43,020,309	58.69
Other shareholders – legal persons	20,689,339	28.22
Other shareholders – natural persons	5,401,131	7.37
DEDEMAN SRL	4,192,363	5.72
TOTAL	73,303,142	100

* The Shareholder's Register and the shareholding history are available at the Central Depository
 **The legal person DEDEMAN SRL became significant minor shareholder since 28.09.2017

In the context of implementing good corporate governance rules and practices, Transelectrica is engaged in active communication with shareholders and investors using multiple dedicated communication channels and interfaces. The company is aware of its important responsibility in terms of the quality of publicly traded company.

the main indices published by the BSE emphasize the transparency requirements, the relevance of the information and the speed in its dissemination, as well as maintaining a continuous dialogue with the investor public.

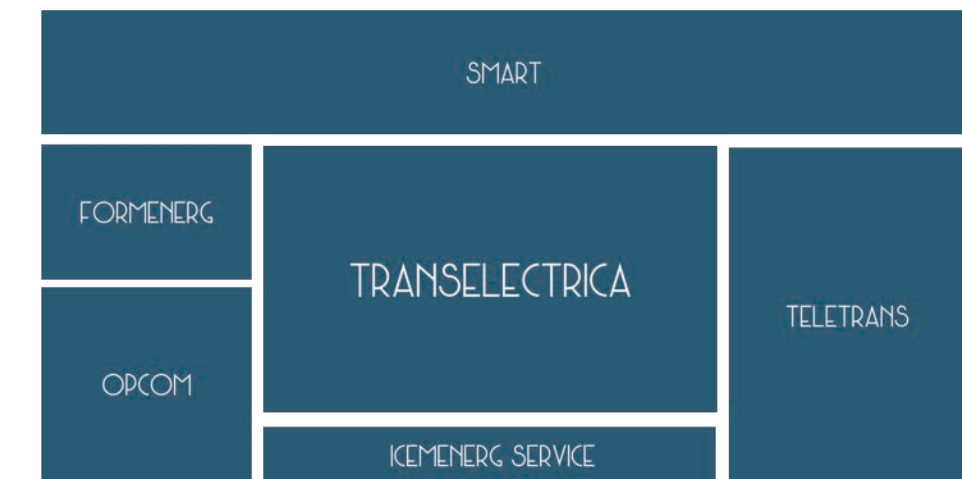
The diversity of shareholders and the presence of

Group structure

At the date of this report, Transelectrica consists of four subsidiaries, Romanian legal persons, organized as joint stock companies in which it is the sole shareholder, in the following: OPCOM, Formenerg, Teletrans and Icemenerg Service

In the case of Smart, following the share capital increase made on 23.12.2014 by the Smart Board of Directors with the value of the land for which the ownership attestation was previously obtained, Transelectrica became a majority shareholder with 70% of the subsidiary's share capital.

OPCOM is also subject to ANRE rules and has an independent position in the energy market, as a result of which Transelectrica does not exercise control over it.



RISK MANAGEMENT

Strategic requirements regarding operational safety and continuity determine the Company to approach risk management in a proactive manner, in order to identify and handle potential risks before the occurrence of the triggering events, while preparing specific technical, operational and financial solutions ahead of time, in order to counteract the effects of potential risks.

The Company's risk management observes the applicable legal and regulatory requirements to provide risk control capacities according to the risk profile of the Company, with a view to identify, assess, manage, monitor, notify, consult and report risks.

Transelectrica's policy and objectives with respect to risk management

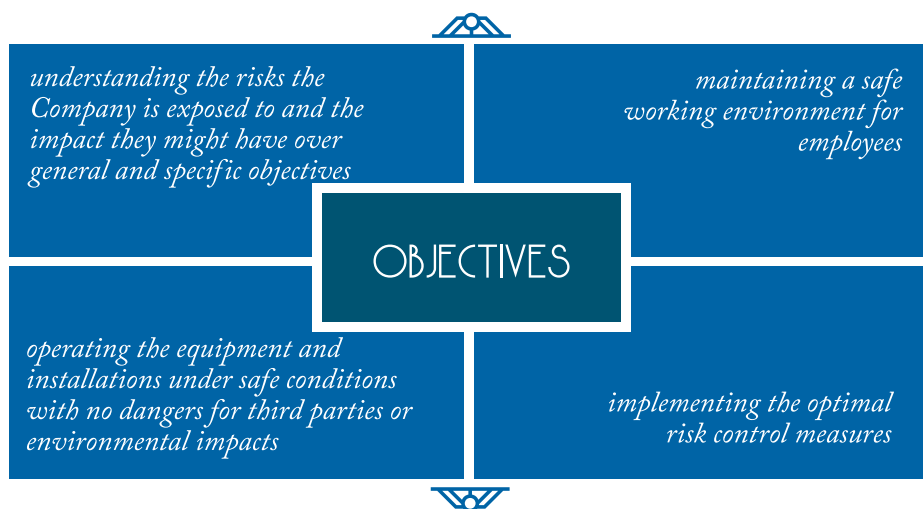
Transelectrica's policy is to ensure the continuous operation and operational management of the NPS, both directly and via branches or subsidiaries, while complying with the quality, security and efficiency standards set out in the PTG Technical Code. This objective is met by prioritizing and paying particular attention to the employee safety and health criteria, as well as

by protecting and preserving property and the environment.

The continuity of strategic functions for Romania's NPS – as transmission and system operator – must be maintained at all times, even under the most unfavorable circumstances.

Risk management facilitates the efficient achievement of Transelectrica's objectives. Knowing the threats, strategic, operational, financial and hazard risks to which the Company is exposed, prioritizing them, depending on whether they materialize, the extent of their impact on objectives and the costs involved in mitigating the impact of unwanted effects.

As a consequence, the Company set out a series of strategic objectives aiming to create and strengthen a corresponding framework in terms of risk management:



Organizational framework of risk management

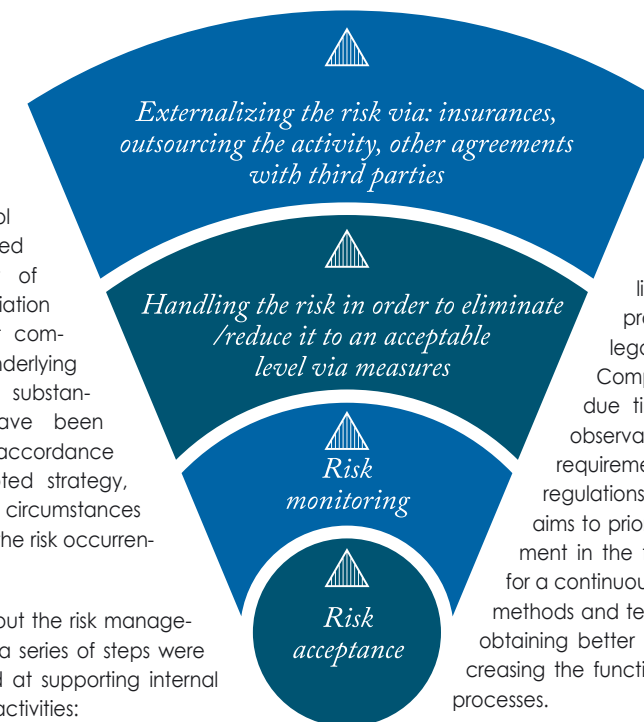
In line with the applicable legislation, the Company Risk Management Team (EGRC) and the Monitoring commission for the implementation of the Internal/Managerial Control System were established in Transelectrica.

At Transelectrica level, the risks which might significantly impact the achievement and completion of the Company's objectives are managed in accordance with internal procedures, so that every organizational entity has the obligation to systematically analyze, at least once a year, the risks associated with its activities (including significant risks Company-wide, insofar as they exist), to develop corresponding plans for limiting the possible consequences of risks, by nominating persons responsible for enforcing said plans and to develop risk tracing documents and to monitor them any time it is deemed necessary.

Keeping risk under control

Actions undertaken in 2017 in order to keep risks under control mainly reduced the probability of risk substantiation and its impact compared to the underlying risk level. The substantiated risks have been handled in accordance with the adopted strategy, dictated by the circumstances which favored the risk occurrence.

In order to set out the risk management strategy, a series of steps were followed aimed at supporting internal entities in their activities:

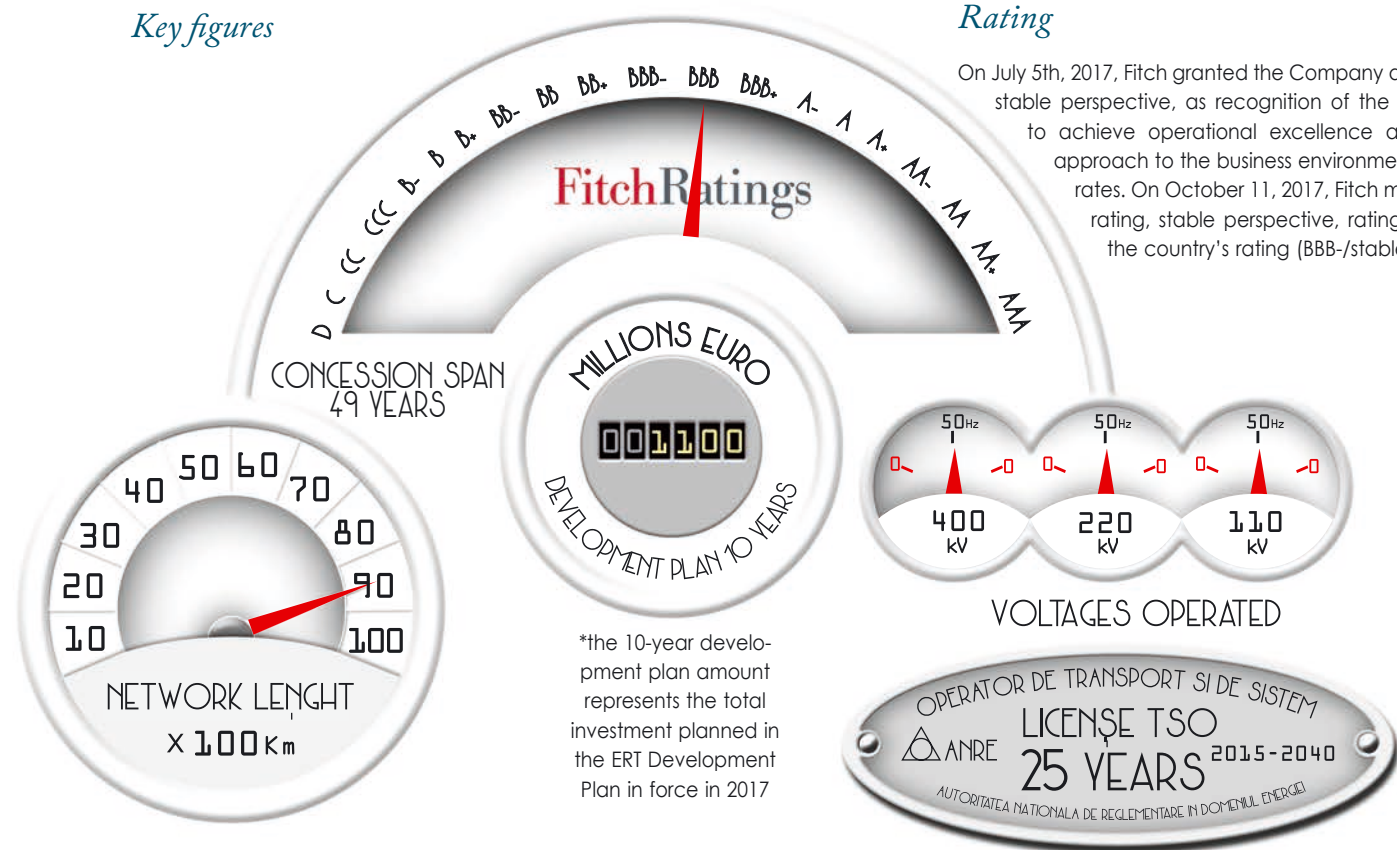


Consequently, the risk management activity in 2017 was carried out in line with internal procedures and legal provisions, at Company level, in due time and with full observance of the legal requirements and internal regulations. The Company aims to prioritize risk management in the future and wishes for a continuous development of methods and techniques used for obtaining better results and for increasing the functionality of internal processes.



RELEVANT INDICATORS

Key figures

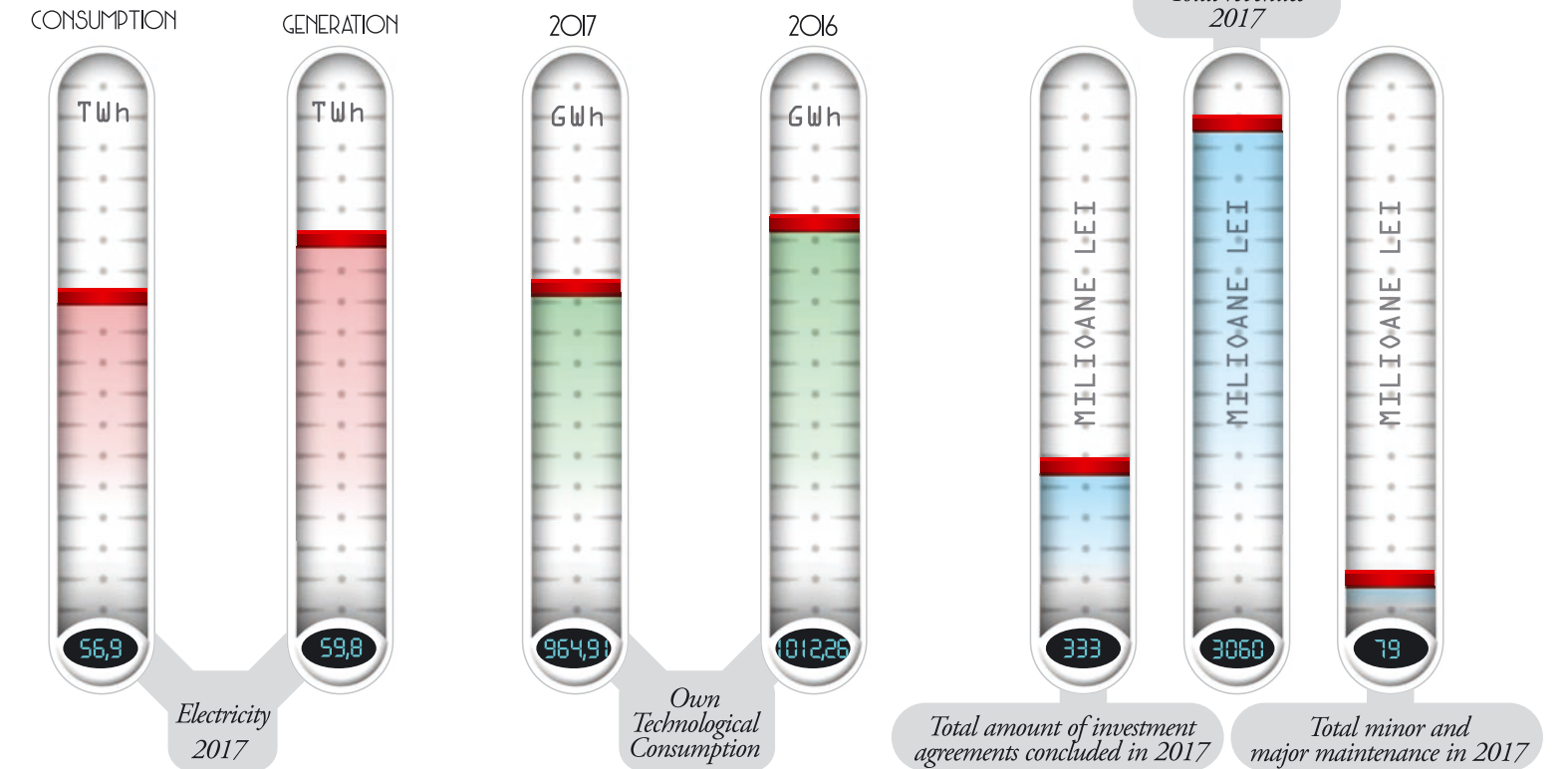


Relevant financial indicators

Indicator	Interruption cause	Total at consumer/ Total at producer
1	ENS MWh planned interruptions	0
2	ENS MWh unplanned interruptions caused by force majeure	0
3	ENS MWh unplanned interruptions due to special weather conditions	0
4	ENS MWh unplanned interruptions caused by other operators, users, manufacturers	11,85 / 2,05
5	ENS MWh unplanned outages due to TSO	289,46 / 1.105,55
6	AIT min/year planned interruptions	0
7	AIT min/year unplanned interruptions caused by force majeure	0
8	AIT min/year unplanned interruptions due to special weather conditions	0
9	AIT min/year unplanned interruptions caused by other operators, users, manufacturers	0,113 / 0,019
10	AIT min/year unplanned outages due to TSO	2,762 / 10,550

NOTE: ENS - Energy Not Supplied to users/not supplied to plants due to long-term interruptions AIT - Average Interruption Time

Relevant financial indicators



Investments in 2017

The most important investment projects in 2017:

- ▲ 400/220/110/20 kV Bradu Station technical upgrade;
- ▲ 400/110/20 kV Domnești Station technical upgrade;
- ▲ 400 kV OHL interconnection Reșița (Romania) - Pancevo (Serbia);
- ▲ 220/110/20 kV Câmpia Turzii Station technical upgrade;
- ▲ Transferring to 400 kV tension of Porțile de Fier - Reșița - Timisoara - Sacalaz - Arad axe - Stage I, 400 kV OHL Porțile de Fier - (Anina) - Reșița;
- ▲ 220/110 kV Tihău Station technical upgrade - primary equipment;
- ▲ 400/110/10 kV Cluj Est Station technical upgrade;
- ▲ AT and Trafo replacement in electrical

stations;

- ▲ 110 kV și 20 kV Suceava Station technical upgrade;
- ▲ 220/110 kV Turnu Severin Est Station technical upgrade;
- ▲ 220/110 /20 kV Arefu Station technical upgrade;
- ▲ 220/110 kV Dumbrava Station technical upgrade;
- ▲ EMS SCADA AREVA system components replacement;
- ▲ 400 kV OHL Gădălin - Suceava- design - obtaining approvals, agreements;
- ▲ 400 kV OHL Gutinaș - Smârdan- design - documentation elaboration for expropriation Government decision;
- ▲ 400 kV OHL Cernavodă-Stâlpu and connection in Gura Ialomiței.

Contracts for execution of works/designs signed during 2017:

- ▲ 400/110/20 kV Domnești Station technical upgrade;
- ▲ Metering and management system for electricity measurement data on the wholesale-design market;
- ▲ 110 și 400(220) kV Focșani Vest Station installations upgrade;
- ▲ 110 kV Bacău Sud and Roman Nord Stations related to 400 kV Moldova technical upgrade;
- ▲ 220/110/20 kV Ungheni Station technical upgrade.

Investment projects whose execution was under contract in 2017:

- ▲ 400/110/20 kV Smârdan Station technical upgrade ;
- ▲ 220/110 kV Hășdat Station technical upgrade ;
- ▲ Connecting 400 kV OHL Isaccea - Varna and 400 kV OHL Isaccea - Dobrudja in 400 kV Medgidia Sud Station Stage II - 400 kV OHL d.c. connections at Medgidia Sud Station;
- ▲ 110 kV Medgidia Sud Station technical upgrade - contract signing estimate in February 2018;
- ▲ 220/110 kV Craiova Nord Station technical upgrade ;
- ▲ Electro-energy modernization at UNO-DEN headquarter - contract signing estimate in February 2018;
- ▲ AT and Trafo replacements in electrical stations Stage 2 – phase 2, group 1, group 2;
- ▲ 400/110/20 kV Munteni Station technical upgrade;
- ▲ Trafo T3 400/110 kV 250 MVA installation in Sibiu Sud Station;
- ▲ 220/110 kV Iaz Station technical upgrade.

Objectives put into operation in 2017:

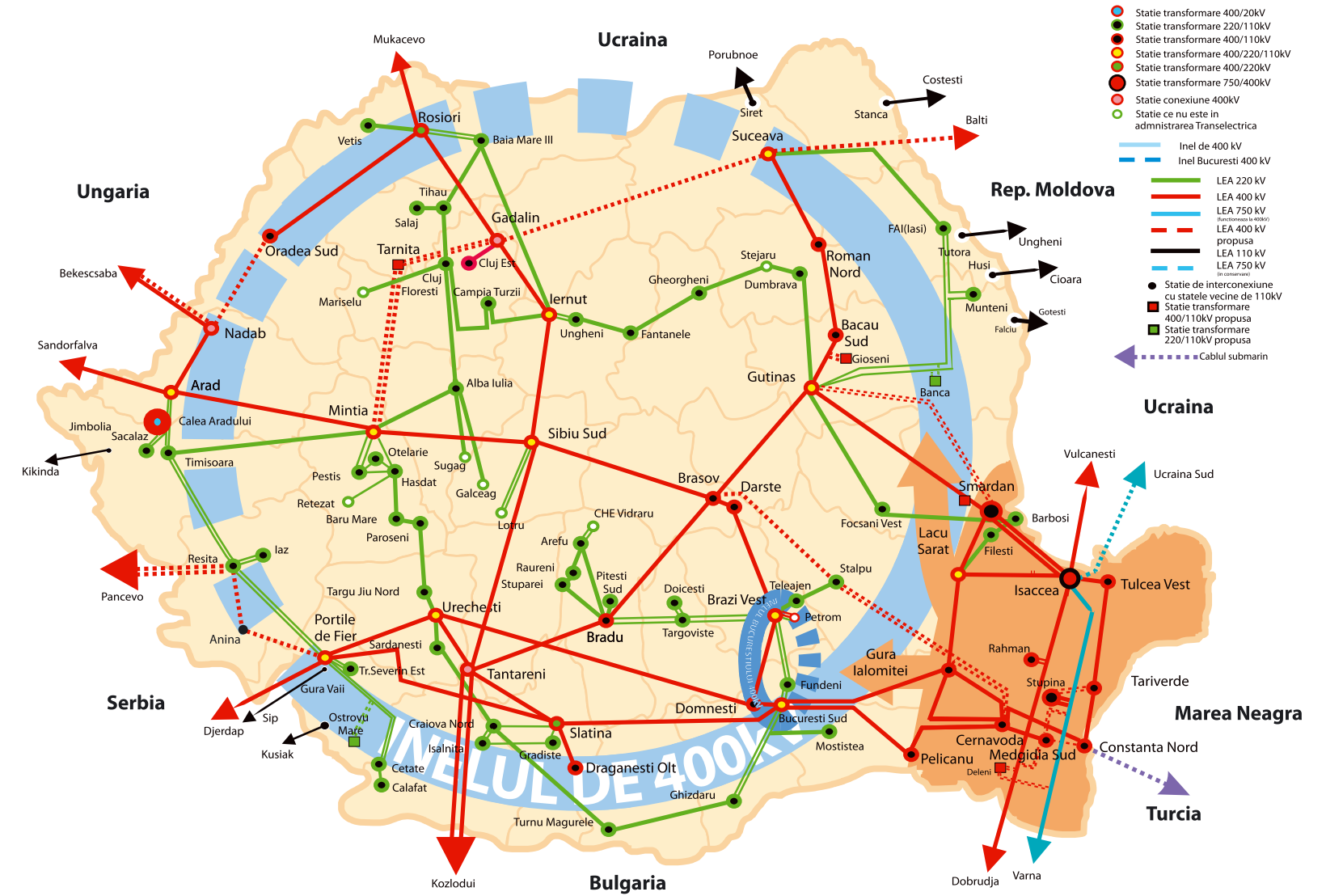
- ▲ 400/220/110/20 kV Bradu Station technical upgrade – St. 1 : 220 kV Station + AT 2 + AT 3;
- ▲ AT and Trafo replacement in electrical stations Stage 2 – AT and Trafo;
- ▲ Integrated security systems stage IV – Iernut and Gutina Stations;
- ▲ Emergency response at 400 kV OHL Iernut-Gădălin and 220 kV OHL Iernut-Baia Mare;
- ▲ 220/110 kV Tihău Station upgrade – primary

- equipment;
- ▲ 110 kV și 20 kV Suceava Station upgrade (partial);
- ▲ 220/110/20 kV Câmpia Turzii Station technical upgrade;



Benefits of implementing this ample investment program

- ▲ increasing the NPS safety;
- ▲ facilitating the transport of electricity from over-production areas to consumer areas;
- ▲ achieving an economical functioning of the NPS;
- ▲ increasing the interconnection capacity with neighboring countries included in ENTSO-E as well as with non-EU countries – Moldova, Serbia – and closing the 400 kV national ring;
- ▲ reducing the operating and maintenance expenses;
- ▲ increasing the quality of electricity, improving the performance indicators;
- ▲ reducing the NPS's own technological consumption, increasing the energy efficiency;
- ▲ introducing new technologies,
- ▲ digitalizing the transport, system and operation infrastructure of the electricity markets under administration.



TRANSPARENCY AND RELATIONS WITH STAKEHOLDERS

Dialogue between the Company and the community

We strongly believe that an important component of Transelectrica's success is represented by the strengthening of the link between the Company and the community, via continuous dialogue and commitment. Transelectrica maintains a solid commitment towards the community, facilitating access to relevant information. Communication represents the key for building a trustworthy relationship with the stakeholders. Transelectrica fulfills its obligations towards investors, shareholders and other interested parties, by creating a transparent and constant dialogue. The instruments through which the Company achieves these objectives are:

- information posted on the Company's website;
- current reports transmitted to Bucharest Stock Exchange;
- regular meetings with investors and financial analysts.

Stakeholders identification and selection

The information presented in the report regarding events and actions undertaken from a non-financial perspective, the identification and selection of stakeholders have been made through strict internal processes. By using specific qualitative analysis instruments, the top 12 stakeholders have been identified, based on the information need they might have in relation to the offered information. Furthermore, topics of particular interest were also identified and used for drafting the main topics of the report.

Approach regarding the involvement of stakeholders

Ever since the listing on the Bucharest Stock Exchange, Transelectrica prioritized the involvement of stakeholders in the Company's activity, particularly in terms of increasing transparency of specific actions. From this perspective, Transelectrica developed its presentations of the quarterly, half-yearly and annual results taking into consideration the stakeholder's needs and permanently increasing the efficiency of the means of communication.

Their opinions have been presented during periodical meetings with the Company's management. Subsequent actions have taken into account these opinions and the feedback from stakeholders supported the permanent improvement process of our activities.

As a result, Transelectrica set an objective to improve communication relations with stakeholders and to continuously involve them in the Company's actions, up to the level of strategic actions.



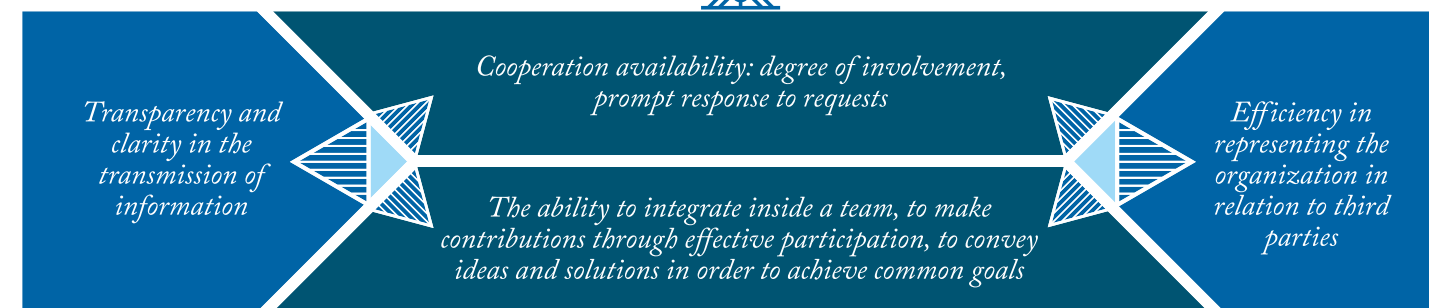
Defining the report's subject matter and the list of material topics

The report's subject matter was established as a result of several qualitative analysis steps which took into account particularly the information identified as being of interest for stakeholders. At the same time, the recommendations of Global Reporting Initiative have been taken into account in terms of the detail level with which each topic must be approached, but also the areas within the Company which may create an adequate image over its non-financial activity.

These topics aim to clarify certain aspects that do not result from other types of reports and to outline the Company's perspectives in terms of sustainability to all interested parties.

Field	Material topic	GRI/own indicator	Corresponding chapter
Corporate Governance	Leadership system	102-18	1
	Commitment to the governance principles	102-16	1
	Delegation of powers	102-19	1
	Ethical business	102-16, 205-1, 205-2, 205-3	1
Strategy, innovation and financial development	Financial indicators	201-1	1
	Technical indicators	Own indicator	1
	Risk management	Own indicator	1
	Energy efficiency	302-1, 302-4	7
Social responsibility and responsibility towards employees	Objectives of the research and innovation strategy	302-4, 302-5	8
	Training and improvement	404-2,	2
	Diversity, promoting parity, eliminating gender discrimination and promoting women in management positions;	405-1	2
	Safety and security at the workplace	Own indicator	3
	Corporate social responsibility policy	Own indicator	5
	Dialogue between the Company and the community	Own indicator	1
	Community's needs	413-1	5
Environment	Involvement in society	203-2	5
	Employee consultation, communication and trade union relations	Own indicator	2
	Environment management system	308-2	4
	Environment risks, opportunities and costs	Own indicator	4
	Management of water, energy and waste	Own indicator	4
Preventing and/or limiting the environmental impact	Own indicator	4	

Communication, collaboration, representation



ETHICS IN BUSINESS

Compliance management system

Measures comprised in the National Anti-Corruption Strategy (NAS) have been implemented throughout 2017 and in the following period we will focus on enforcing and improving them. It is important to note that there have been neither violations of NAS applicable norms, nor complaints or referrals in this regard.

The Company also paid attention to knowing the applicable norms for carrying out the activity, which led to completing an entire year without any cases of employee misconduct as per the NAS specifications.

Code of conduct and ethics

The Code of Ethics and Professional Conduct of Employees within Transelectrica, revised in 2017, is the general document comprising the internal regulatory frameworks for the Company's employees and presents information pertaining to the way in which they must behave from a moral and professional perspective, both during professional activities and outside them. At the same time, this represents a guarantee for all interested parties that Transelectrica assures an ethical behavior of personnel, as well as a guarantee of the reliability with which they treat their partners.

The revision applied in 2017 had the role of clarifying a series of issues related to combating corruption, professional obligations, respecting the legal framework and internal rules. This action considered changes in the legal framework and internal rules with a direct impact on the employees' activity.

The Code of Ethics and Professional Conduct of Employees is available on the Company's webpage, being accessible to all interested parties.

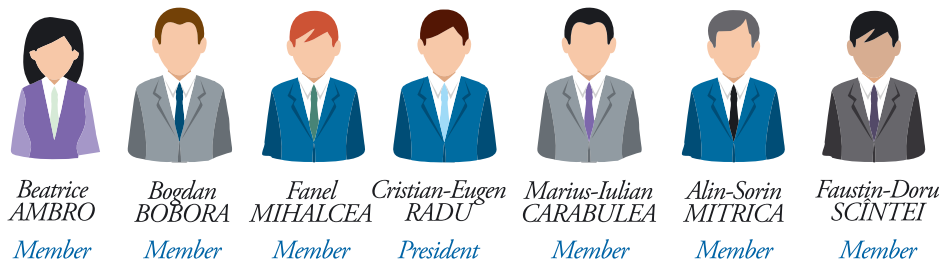
CORPORATE GOVERNANCE

Leadership system

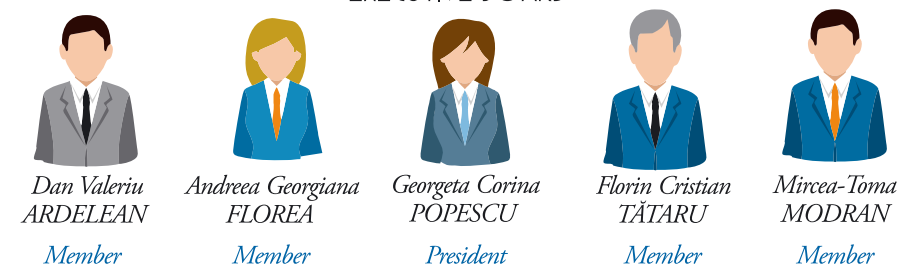
GENERAL ASSEMBLY OF SHAREHOLDERS



BOARD OF SUPERVISORS



EXECUTIVE BOARD



The General Assembly of Shareholders (AGA) is Transelectrica's leadership body with express and limitative authority. The general assembly can be ordinary or extraordinary and its specific attributions are set out in the Articles of Association. All shareholders have the right to participate in the General Assembly of Shareholders and to exercise their voting rights.

The Company is a two-tier company pursuant to the Companies Act no. 31/1990, republished, as subsequently amended and supplemented (hereinafter referred to as "the Companies Act"), managed by an Executive Board under the supervision of a Board of Supervisors. The members of the Board of Supervisors are appointed by the General Assembly of Shareholders, observing

the legal provisions applicable to companies admitted to trading, and are selected according to the provisions of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public companies. Nonetheless, the Board of Supervisors members in office up to December 31st, 2017 have a provisional mandate until the completion of the selection procedure. The Board of Supervisors Chairman is elected by its members. In accordance with the Articles of Association, the Board of Supervisors consists of seven members, appointed via a selection procedure for a period of no more than four years. The provisional mandate of Board of Supervisors members in office as of December 31st, 2017 has a duration of 4 months.

According to the O.E.C.D. principles, the implementation of an effective corporate governance regime must lead to market transparency and efficiency, should be compatible with the rule of law and clearly define the division of responsibilities between the competent oversight regarding supervision, regulations and application of legal provisions. A corporate governance regime must also protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including the minority and foreign ones. The General Assembly of Shareholders approved, in the 26.09.2017 meeting, substantial amendments to the Articles of Association with the purpose of increasing the Company's corporate governance efficiency in relation to the applicable legal framework, including to clarify the separation of the Company's management control instruments so that each leadership body meets its statutory mandate and avoids potential confusion between the duties of the Supervisory Board and those of a regular Executive Board. At the same time, the principle of competence delegation was considered and the specialized coordination of some areas with respect of the Executive Board responsibilities.

Commitment to the governance principles

With the listing of shares on the regulated market of the Bucharest Stock Exchange (BSE), the Company adopted the principles of the BSE Corporate Governance Code. In accordance with the BSE requirements, Transelectrica has made public the revised Corporate Governance Rules of the Company.

The compliance with Corporate Governance principles is reflected in the Conformity Declaration in accordance with the BSE Corporate Governance Code which the company drafts and publishes together with the Annual Report.

Three consultative committees are active in the Board of Supervisors: The Nomination and Remuneration Committee, the Audit Committee and the Energy Security Committee. The audit committee's role is to assist the Board in fulfilling

its responsibilities in terms of financial reporting, internal control and risk management. The nomination and remuneration committee's role is to formulate proposals regarding filling the positions within the Board of Supervisors and Directorate, but also to issue the remuneration policy. The committees submit reports on their activity to the Board of Supervisors, on a regular basis or whenever necessary.

Throughout the entire duration of the mandate as the Company's Board of Supervisors/Executive Board member, the persons concerned must meet the eligibility criteria and to not be in the incompatibility situations set forth by the governing law or the applicable commercial provisions. With respect to these obligations, the Company has the right to request the Board of Supervisors members to issue reasonable necessary insurances pertaining to the compliance with these obligations

Delegation of power

In order to increase the efficiency of the management attribution of the Company and to carry

out the established objectives under efficient and economic conditions, Transelectrica developed a delegation of powers system. The delegation of powers concerns several aspects, for instance:

- approving certain types of operations;
- approving/endorsing documentation prior and/or after the approval of certain types of operations (documentation which is necessary according to the law or the internal regulations);
- approving operations which have property impact up to a certain value;
- approving/endorsing documentation prior and/or after the approval of operations with property impact up to a certain value (documentation which is necessary according to the law or the internal regulations);

This type of delegation complies with the competence limits of the Directorate in terms of the operation's subject matter and value and expressly sets out the competence and responsibility limits that the Directorate may delegate, while also complying with the rule regarding the Company's representation via joint signature.

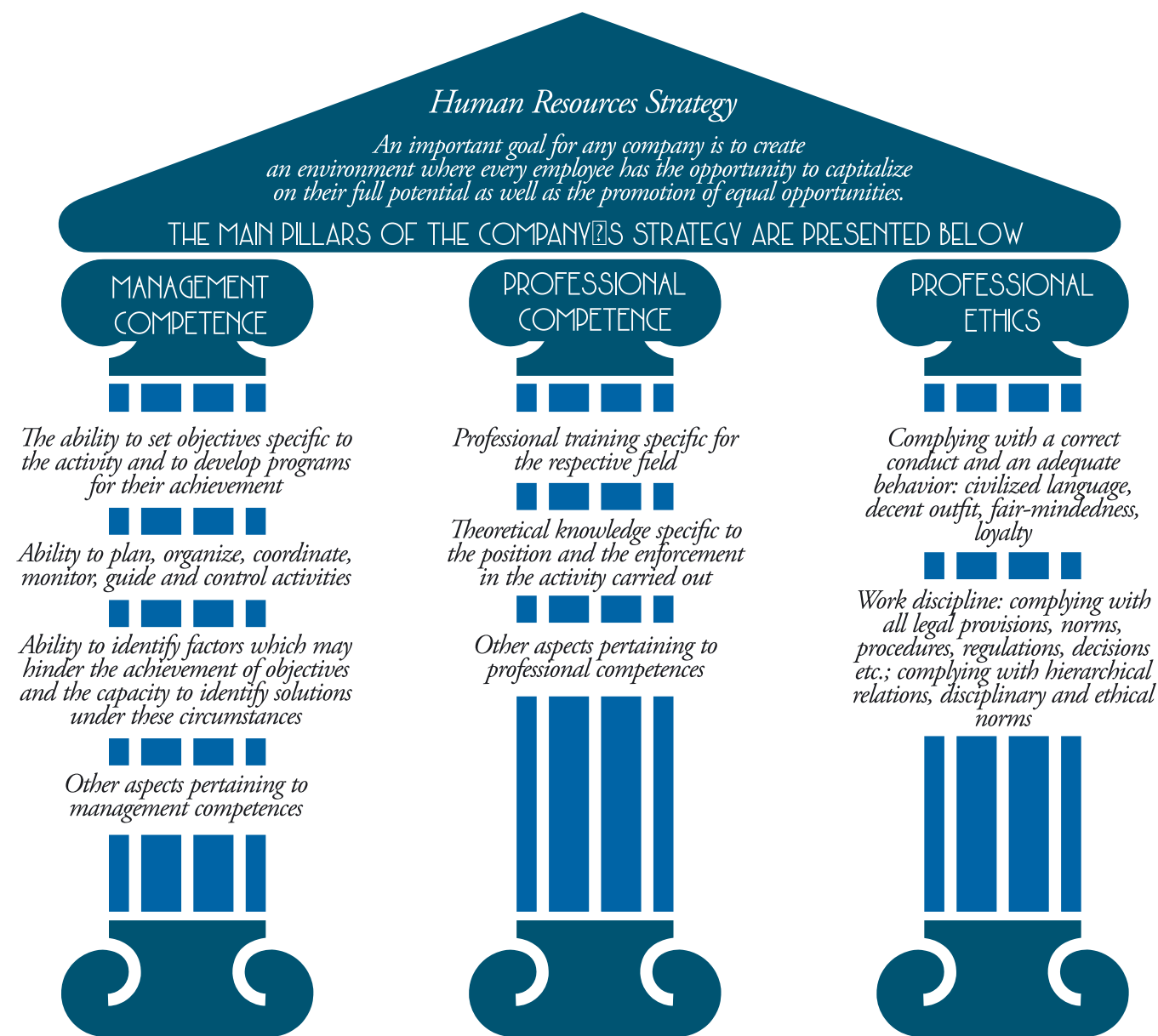
National and international affiliations

In 2017, Transelectrica was affiliated in 12 national and international associations, organizations and bodies in the industry, as follows:

- ▲ **ALSTR** - Romanian Live Working Association (www.smarsb.ro/alstr)
- ▲ **CNR-CME** - the Romanian National Committee – the World Energy Council Association (www.cnr-cme.ro)
- ▲ **CNR-CIGRE** - the Romanian National Committee CIGRE Association (www.cigre.org.ro)
- ▲ **SIER** - the Society of Power Engineers in Romania (www.sier.ro)
- ▲ **CRE** - the Romanian Energy Center (www.crenerg.org)
- ▲ **AmCham** - the American Chamber of

- Commerce in Romania (www.amcham.ro)
- ▲ **ACUE-PD** - the Federation of Associations of Energy Utility Companies (www.acue.ro)
- ▲ **APEN** - Employers' Association "Energia" (www.fpen.ro)
- ▲ **ASRO** - Romanian Standards Association (www.asro.ro)
- ▲ **ENTSO-E** - European Network of Transmission System Operators for Electricity (www.entsoe.eu)
- ▲ **CIGRE** - International Council on Large Electric Systems (www.cigre.org)
- ▲ **LWA** - International Live Working Association

OUR PEOPLE – HUMAN RESOURCES DEVELOPMENT AND DIVERSITY



Promoting parity, eliminating gender discrimination and promoting women in management positions

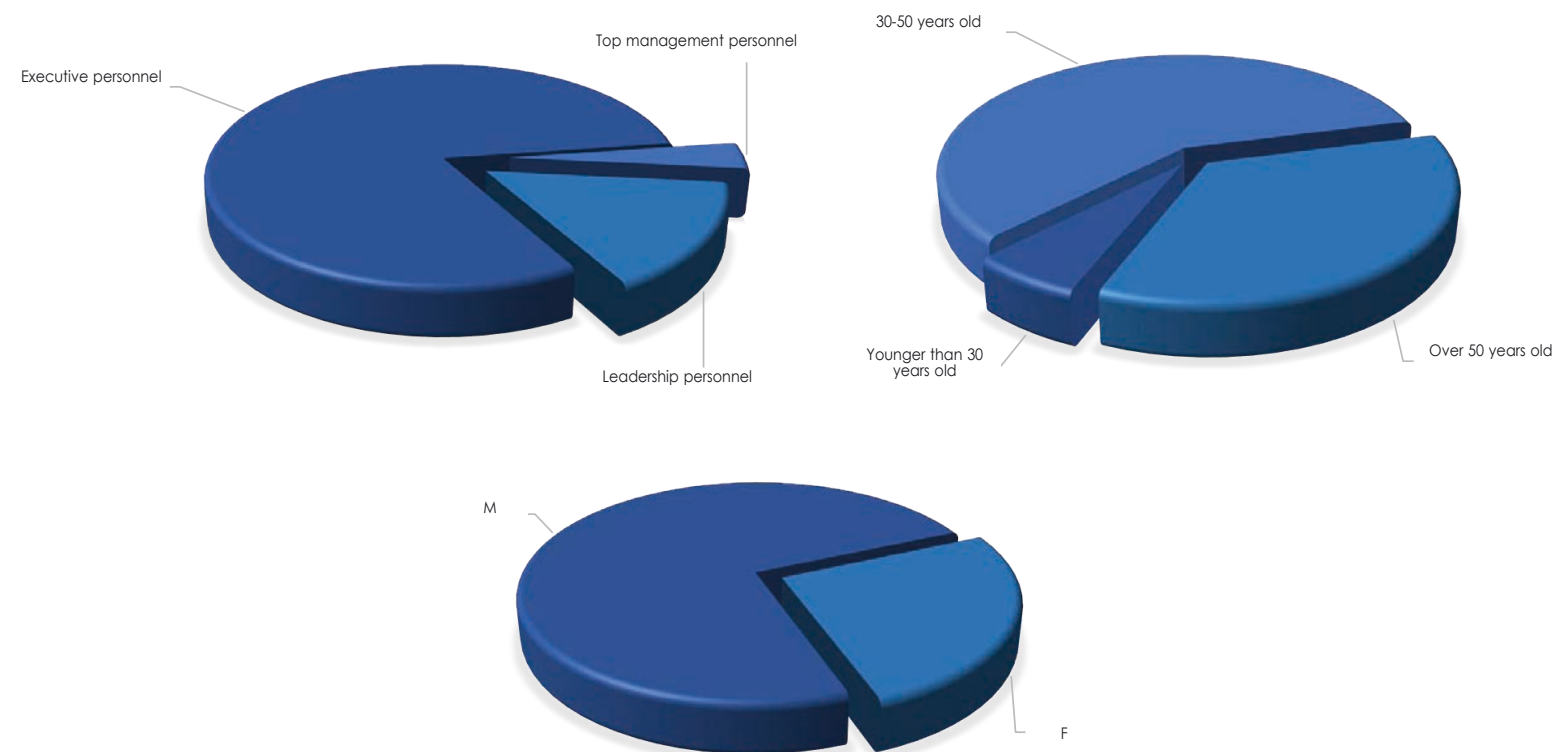
Via our policy we make sure there is no type of discrimination in the recruitment, employment and promotion process, be it based on gender, civil status, sexual identity, religion, political view, ethnicity, race, nationality, genetic characteristics, age etc. At the same time, the Company's Internal Regulation comprises, among others, rules pertaining to the compliance with the non-discriminatory principle and to eliminating

any form of violation of human dignity.

Transelectrica's employee structure based on age and gender is specific to the Company's field of activity, registering a slight ageing (the majority of employees' ages lies between 30 and 50 years old, with a significant number in the range over 50). The causes for this are related to the considerable weakening of the professional

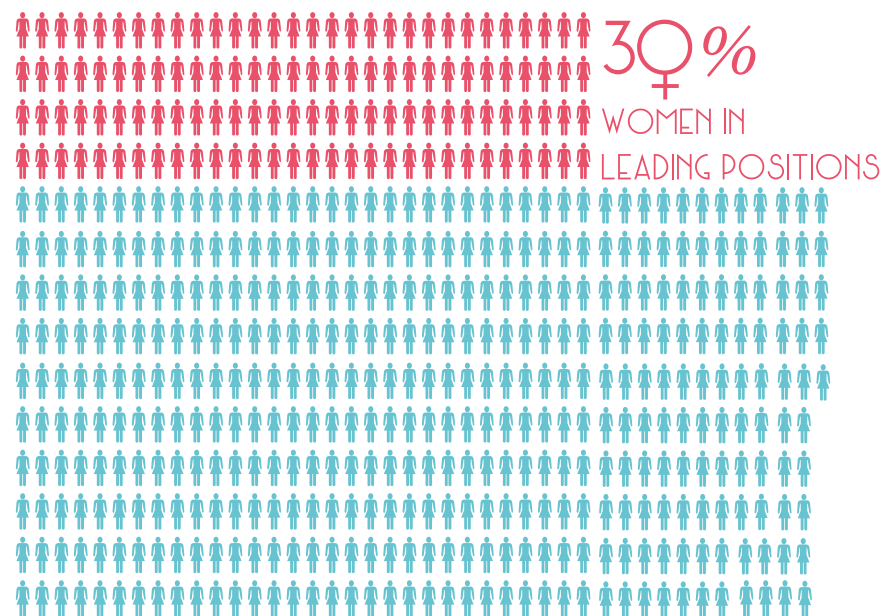
education system, the general ageing of the population or the intensive development of several alternative prosperous fields (e.g. IT). Nevertheless, Transelectrica acknowledges the need to attract young specialists from the energy field, both via the internship programs carried out, and by the alignment of recruitment processes with the offer available on the labor market.

Type of position	Number of employees	Age			Gender	
		Younger than 30 years old	30-50 years old	Over 50 years old	M	F
Top management personnel	78 (3,8%)	0 (0%)	44 (56,4%)	34 (43,6%)	53 (68,0%)	25 (32,1%)
Leadership personnel	316 (15,3%)	5 (1,6%)	200 (63,3%)	111 (35,1%)	221 (69,9%)	95 (30,1%)
Executive personnel	1661 (80,8%)	122 (7,3%)	961 (57,9%)	578 (34,8%)	1246 (75,0%)	415 (25,0%)
Total personnel	2055	127 (6,2%)	1205 (58,6%)	723 (35,2%)	1520 (74,0%)	535 (26,0%)



From the perspective of eliminating gender discrimination, the trend in the last decades is to balance the situation from a professional point of view, so that the opportunities to develop a successful career by no means depend on the nature of the gender. In this context, the percentage of women employed in executive positions nears 25% in Transelectrica, while the percentage of women in leadership and top management positions exceeded 30% in 2017.

At the same time, it is important to note that if in 2016, all five members of the Executive Board were men, at the end of 2017 two of the five management positions in the Executive Board were held by women.



Work performance analysis and remuneration system

To improve work performance and efficiency, but also to assure sustainability of the Company's activity, professional assessment of employees is carried out on an annual basis, considering performance indicators established through internal procedures.

The results of this evaluation offer the Company's management a clear overview of the employee activity and supports a better understanding of their complexity in the given context. Information obtained from the analysis may be used both in the risk management process, for provisioning and managing certain risks pertaining to the employee activity, and in the training and improvement process of the Company. In 2017,

Training programs

Transelectrica aims to develop personnel via training programs and pays attention to this aspect by conducting improvement programs for employees on an annual basis. The employee improvement process is dictated by the current economic developments themselves. It is necessary for the staff to be as prepared as possible so

Transelectrica implemented, through an internal procedure, a new process of professional performances evaluation. Consequently, the performance analysis criteria were changed and the 2017 benchmark will be based on a set of reference indicators to which all employees will compare their performances.

For the Company's management, the analysis is based on performance indicators (KPI) established for each entity.

The purpose of the performance indicators was to increase organization efficiency within Transelectrica by increasing employees' motivation and correlating the company's performance

that the Company's objectives shall be achieved in an environment in which success depends on the ability to deliver quality, diversity, satisfying client's needs and expedience.

Company's employees took part in training programs (offered by professional training providers)

indicators with the company's management indicators.

The remuneration policy is based on the employee's performance with regard to the complexity and importance of the job. Its development has taken into account the elements that can lead both to attracting new recruits and to maintaining the interest and stimulation of the Company's employees.

For the following period, the Company is considering expanding the performance indicators for all employees.

in various fields of activity during 2017, the main ones being: technical – 354 persons, acquisitions – 78 persons, financial and accounting – 25 persons, other fields (IMS, HSW, audit etc.) – 81 persons.

Transelectrica started the construction works of „Stelian Gal” Energy Excellence Center in Sibiu in November 2017 with an investment of about 5 million lei

In addition, internal training programs were also carried out, mainly for operational staff within the National Energy Dispatcher and the transport branches, the trainers actually being the employees with expertise in the supported courses field. In this category, the total number of trained people was 834.

In order to accomplish the human resources policy, in November 2017, Transelectrica started



the construction of „Stelian Gal” Energy Excellence Center in Sibiu (near the 400 kV Sibiu Sud Station), with an investment of about 5 million lei. The Center of Excellence in Energy will be the first of its kind in Romania to be able to carry out practical training in live-line working

In 2017, in Transelectrica, a number of 111 students took part in the internship program in Bucharest and in the rest of the country

Internships

Internships within Transelectrica represent the confirmation of the constant preoccupation for study and, at the same time, an encouragement for the students' intellectual effort, since the energy field in general and the electricity transmission field in particular.

Annually, Transelectrica allocates, for the Politehnica University of Bucharest – Faculty of Electrical Engineering, on average, 20 internship programs places for third year students of bachelor degree and five to eight places for masterate students. The Company makes available, through its subsidiaries, internship spots for students from Gh. Asachi University, Iasi – Faculty of Applied Electrical Engineering and Applied Informatics,

Technical University of Cluj Napoca, Faculty of Electrical Engineering from Craiova, University Politehnica of Timisoara – Faculty of Electrotechnics and Electroenergetics.

In 2017, 111 students conducted internship programs within Transelectrica, in Bucharest and in the rest of the country.

Employee consultation, communication and trade union relations

The trade union plays an important role in terms of the labor relation between employees and employer. The trade union promotes and protects the rights of its members, taking their needs and opinions into account. A good relationship between the employer and the employees is built on an efficient communication between the employees' and the company's representatives. 14 meetings took place in 2017 between the management's and the employees' representatives, which aimed to identify the best solutions for the latter.

The meetings substantiated by the conclusion of two addenda to the collective labor agreement, while other aspects pertaining to the management – trade union relation were agreed upon via conventions. All the above represent the results of the trade union's active involvement in the relation between employees and the Company's management. Nearly all Company members are currently trade union members, which demonstrates the fact that they acknowledge the usefulness of a trade union established to promote their interests in the relation with the employer. At the same time, the lack of any work conflicts over the last year represents a relevant indicator of the mediation efficiency between employees and the employer.

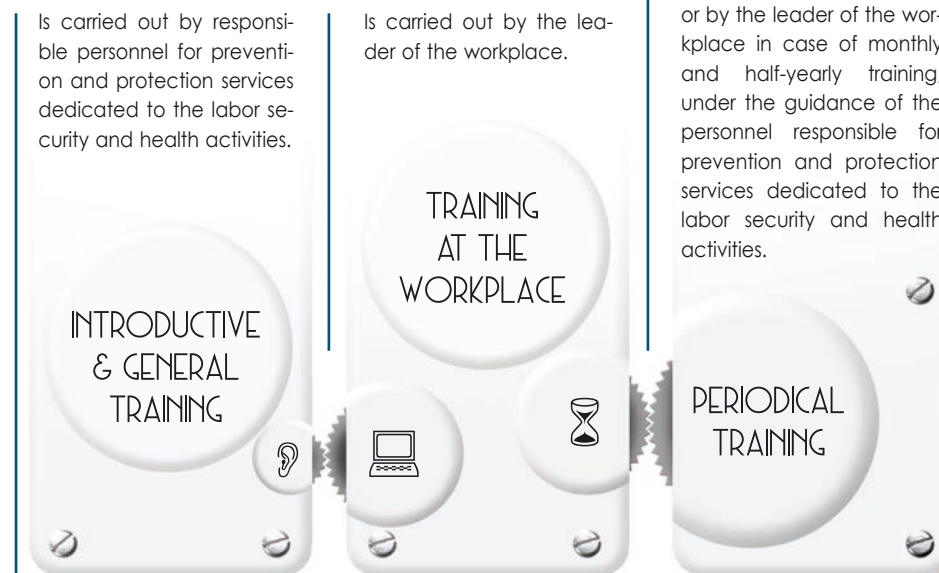


RESPONSIBILITY TOWARDS EMPLOYEES

Safety and health training program and processes

Transelectrica is regularly training its employees in the field of health and safety at work, on the basis of an internal procedure drafted in accordance with the Health And Safety at Work Act.

Training of workers in the field of labor security and health comprises of 3 stages defined by the specific legislation:



Prevention measures

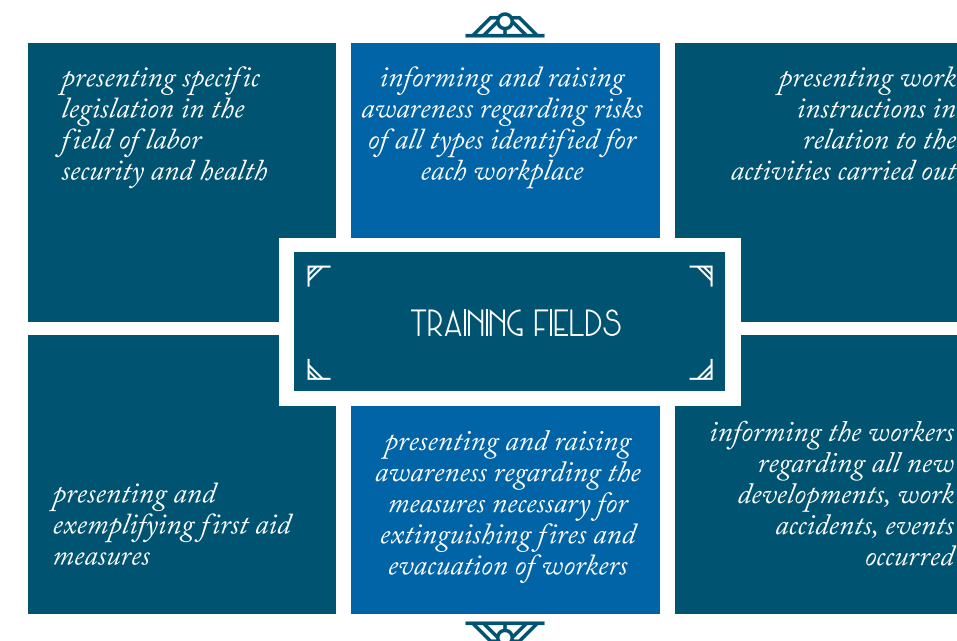
In order to assure proper prevention, training is being carried out with the following frequency:

- ▲ at least one training session for each employee once a year;
- ▲ half-yearly for other categories of authorized technical personnel within Power Dispatchers;
- ▲ monthly for operational staff and/or personnel authorized in terms of labor security and health within electric stations, and half-yearly within condensed periodical training sessions;

At Company level there are 20 employees responsible for prevention and protection services dedicated to the labor security and health activities.

When training personnel in the field of labor security and health, the Company uses various training means, methods and techniques, such as: exposure, demonstration, case studies, movies, diapositives, projectors, computer assisted training.

Various training fields are taken into consideration, as follows:



Relevant activities for 2017

- ▲ In the Company's branches, 10 controls were carried out in the field of safety and security at work by nine Territorial Labor Inspectorates and nine measures were disposed, out of which eight have already been met and one is in progress, having a permanent character.
- ▲ The Health and Safety at Work Committee (HSWC) members carried out six controls, following which 13 measures were ordered, eight measures being already resolved and the remaining five being in the process of being resolved.
- ▲ HSWC met in four sessions during 2017, setting a total of 30 measures.
- ▲ Health and Safety at Work control staff performed 166 checks according to the approved control chart at each branch level in all Transelectrica's management locations where 271 measures were disposed out of which 235 were met and the remaining 36 are either permanent (15) or in progress (21).
- ▲ In 2017, together with the approval of the Company's training program, the training activity kept its unitary character.

Environmental responsibility

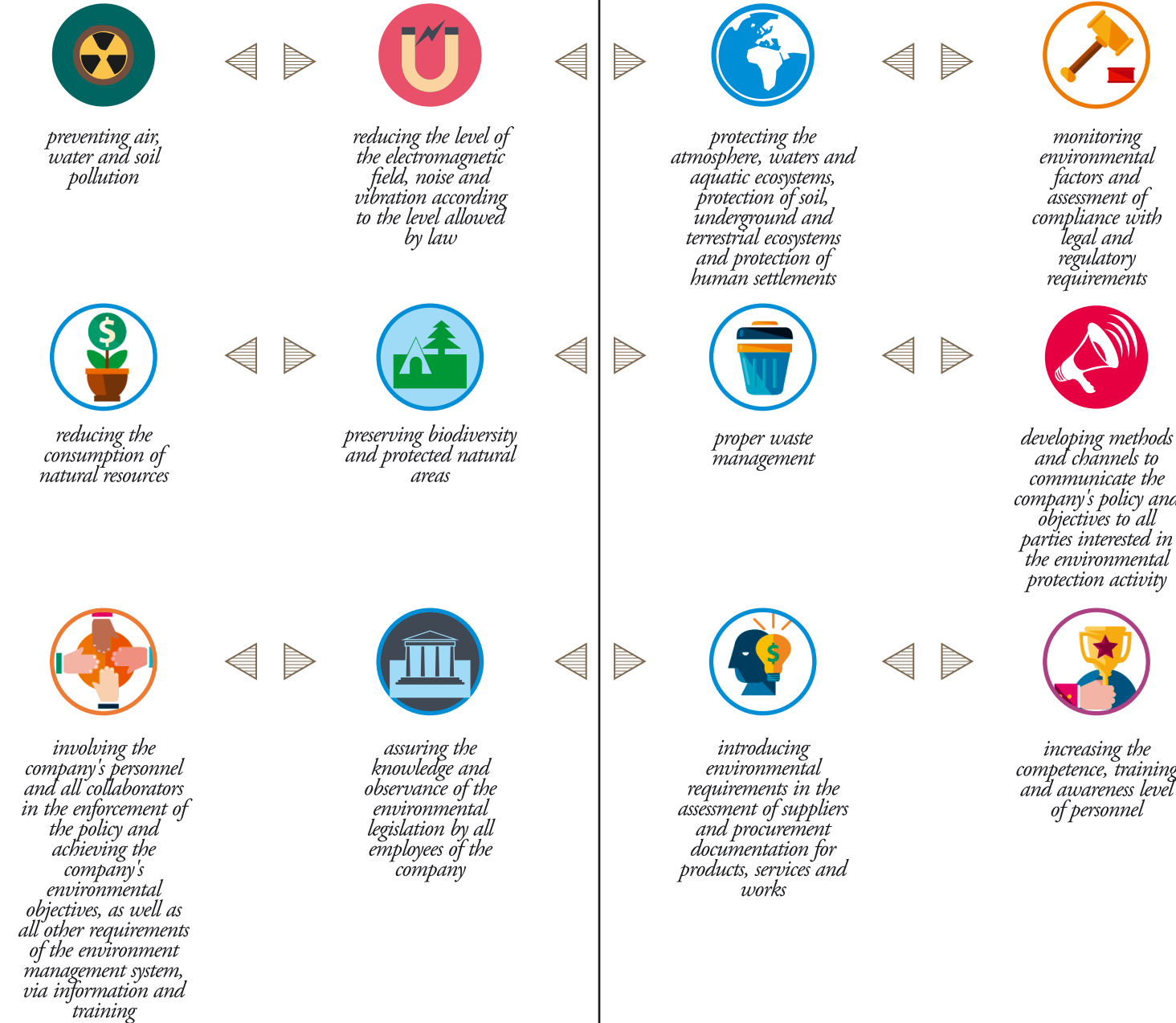
Transelectrica's environmental policy is an integral part of the general policy, with the objectives of maintaining an efficient environmental management system, preventing and reducing pollution, complying with national and European legal requirements and sustainable development.

Transelectrica's environment management system, SR EN ISO 14001:2005 certified by SC SRAC CERT SRL (IQNet partner), created the necessary conditions for providing the electricity transmission and dispatching services and to manage the electricity market, in line with legal and other requirements that the Company complies with; such requirements apply to the environmental aspects of the Company's activities and prove the concern with a view to preventing pollution and increasing environmental performance.

Environmental objectives and targets were fulfilled by the actions included in the annual environmental management program for the reduction of air, water and soil pollution, the reduction of noise and vibration levels, improving the waste and waste water management system, re-establishing the natural environment after the completion of maintenance /development works, protection of fauna and flora and monitoring environmental factors.

ENVIRONMENTAL RESPONSIBILITY

Main paths for achieving environmental objectives



Environment risks, opportunities and costs

High voltage electric installations mainly consisting of overhead lines and transformation & connection stations are installations with significant environmental impact given the technical complexity of installations but also the land areas taken up and the lines lengths, usually crossing the territory of several counties.

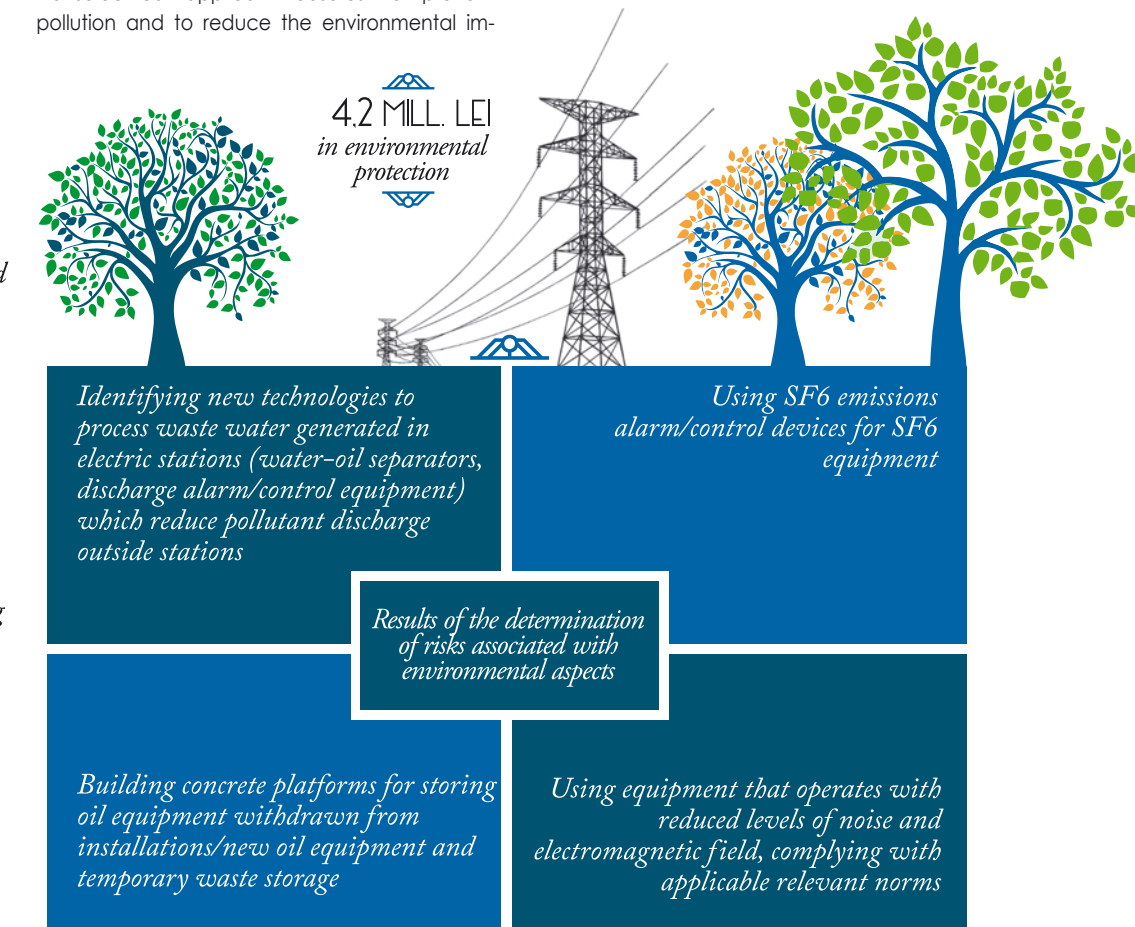
No pollutants are discharged in the environment during normal operation of PTG installations. Certain chemical substances of pollutant nature can be accidentally leaked in the environment in case of non-tight equipment, wrong operation, failures or during construction and maintenance operations.

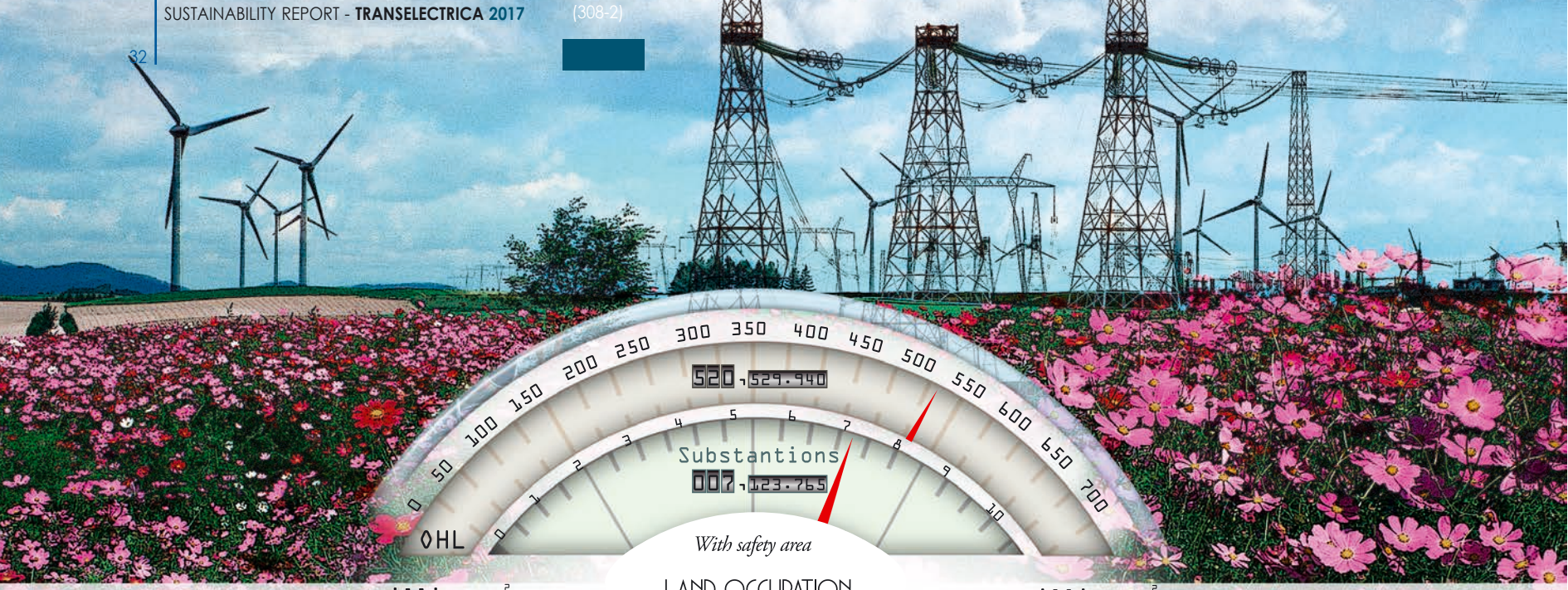
Transelectrica applied measures to prevent pollution and to reduce the environmental im-

act of both operational and of maintenance & investment activities, which meant construction-installation works.

In terms of total environmental protection expenditures included in operating, maintenance and investment expenditures, their value in 2017 was of 4.2 million lei. Thus, the specific environmental expenditures in 2017 were of 0.0205 million lei/TWh of transported electricity.

Determining the risks associated with significant environmental aspects identified for activities/processes carried out in Transelectrica lead to a series of advantages and opportunities:

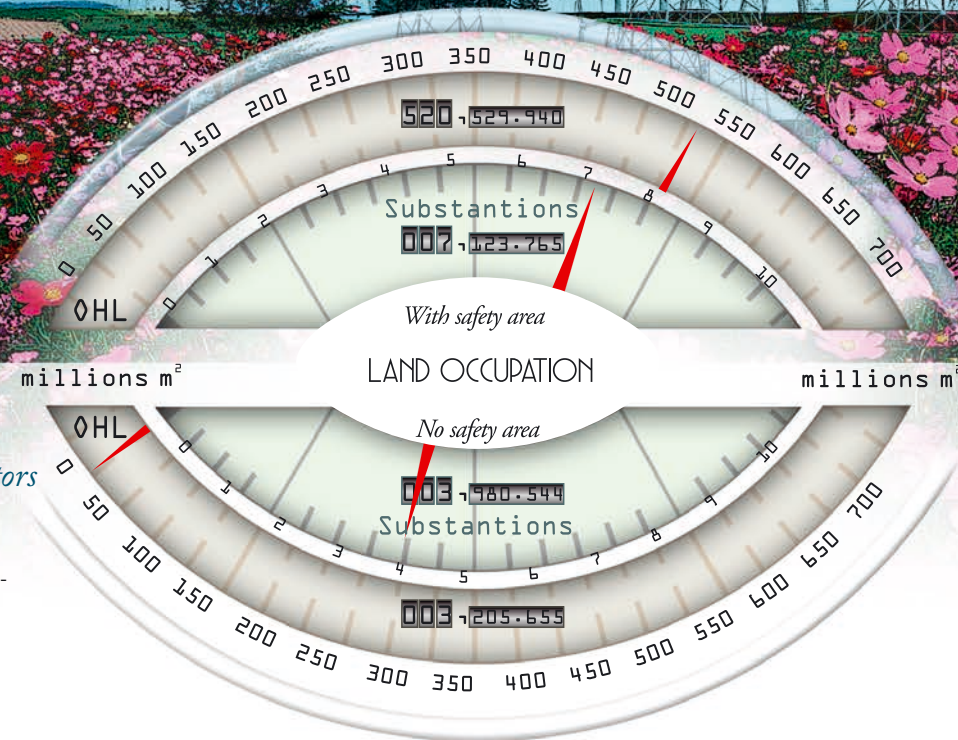




Management of environmental factors

a) Land occupation

Areas occupied by electric lines and stations:



b) Underground and terrestrial sources of soil and water pollution

No noxious substances are discharged on ground, in underground or terrestrial waters during normal operation of PTG installations. Accidental pollutions can occur due to non-tight/broken equipment containing dangerous substances or electro-insulating oil, or to defects in the oil regeneration/supply/discharge installations into/from the equipment.

Accidental oil leaks occurring in the case of some station equipments (Oleopneumatic Mechanisms, transformers, compensating coils) or from the transport and utility vehicles during the construction and maintenance works, which

can pollute the soil, have been treated with biodegradable absorbent soil.

c) Air pollution sources

During construction, maintenance and normal operation of PTG installations, no significant pollutant amounts are discharged in the atmosphere.

Flue gas (SOx, COx, NOx, COV, particulate matter etc.) can result from fires or explosions and high voltage OHLs generate atmospheric pollution by ozone and nitrogen oxides after Corona discharges occurring around active conductors, especially during rains. The additional contribution of such pollutant substances is not major and cannot lead to exceeding the legal threshold

values, a level beyond which there is risk for human health.

In 2017 there were no fires and explosions in Transelectrica establishments. Air quality was monitored according to the requirements of environmental permits (electromagnetic field, noise/vibration, ozone, thermal power plant); in 2017 there were no exceedances compared to the legal requirements limits in the field.

d) Wastewater sources

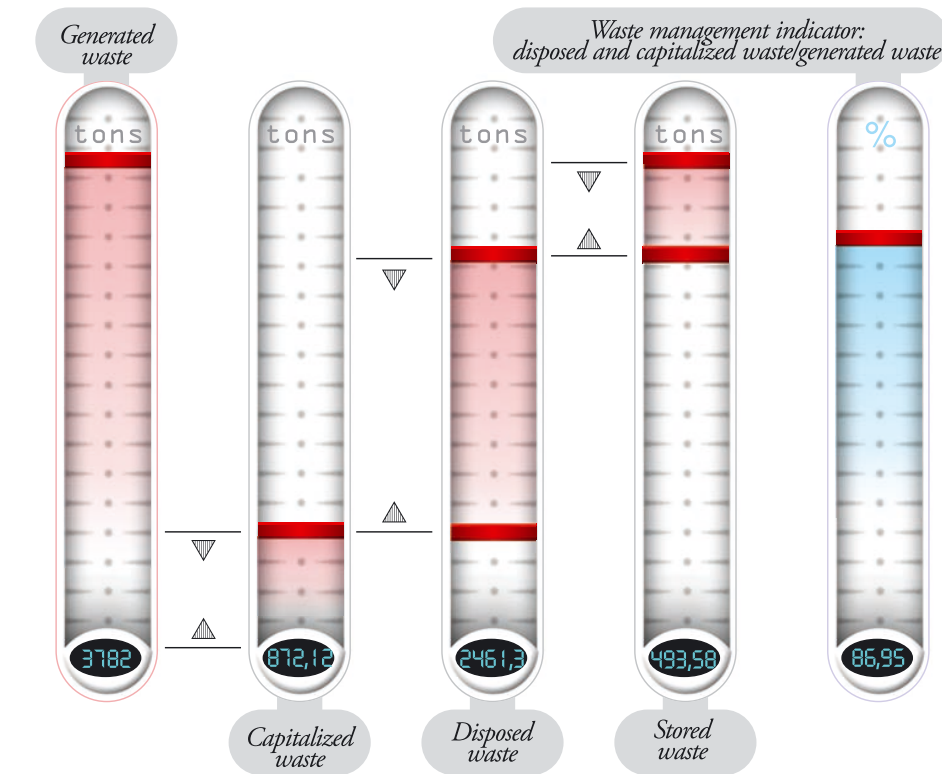
Electricity transmission processes do not generate technological waste water.

The physico-chemical indicators of wastewater

generated at the power establishments and stations were monitored according to the requirements of environmental permits regarding water management. In 2017 there were no exceedances of physico-chemical indicators recorded except isolated cases where measures were taken in order to eliminate the causes.

e) Waste generation

No direct waste results from electricity transmission. Waste comes from the construction and maintenance activity, as well as from human actions. Waste quantities are different from one year to another, depending on the volume of



g) Noise pollution

Noise can be produced during construction due to the executed works and the operation of equipment and cars. During operation, acoustic pollution can come from the noise produced by operation & vibration of PTG installations, or by Corona discharges around active conductors. The noise level of Corona effects at a 25 m distance from the active conductor ranges from 53 dB during rain and 33 dB in fine weather.

In 2017, no exceedances of the maximum allowed noise level were recorded.

h) Impact on fauna

The following measures were taken to protect poultry in the PTG area:

- ▲ equipments that repel birds were mounted on pillars;
- ▲ spirals that repel birds and colored panels were mounted on the PTG ducts in the migration corridor area.

i) Impact on vegetation

The impact on vegetation is determined by the final or temporary land occupation and removal of vegetation exceeding a certain height within the safety areas of PTG installations, to prevent fires. This impact

investment and maintenance work.

In 2017 the generated waste was disposed/capitalized through authorized firms.

f) Electromagnetic field generated by PTG installations

Transformation/connection stations and the 220 kV and 400 kV overhead lines have a relatively low impact nearby, which can be found only around PTG installations. A great part of disturbing effects is owed to electric induction (into non-grounded metal objects or structures) and to interference phenomena (radio interference). Constructive solutions adopted for high voltage lines and stations provide proper protection against the exposure of living bodies to electromagnetic fields, in order to diminish the environmental impact of such installations. In accordance with specific studies carried out near the 220 kV and 400 kV overhead lines, the intensity of the electric field decreases with distance, so at ca. 25-30 m from the line axis, the field intensity is zero.

In 2017, the measurements pointed out that there were no exceedances of the imposed values according to the available norms at the stations and at crossings over the roads, railways and the intensely circulated areas

can be significant only in protected areas. In 2017 deforestation actions in the PTG's safety and protection areas to ensure technological working distances and to avoid the occurrence of fires.

The diversity of environmental conditions for each placement of PTG installations (overhead lines, electric transformation and interconnection substations, buildings) determines specific environmental impacts in various stages (design, construction and operation) of each installation, so that measures can be defined on a case by case basis for the conditions existing in each location.

Main measures and actions taken to prevent and/or limit the environmental impact

Drafting documentation

- ▲ drafting documentation and submitting case files for the authorization/reauthorization of objectives under the Company's management in terms of environmental protection and water management.

Execution of works for

- ▲ construction or maintenance of drainage networks for domestic waste water and/or rainwater;
- ▲ installing water-oil separators to the oil equipment tanks and storage platforms;
- ▲ building concreted platforms for temporary storage of equipment and waste;
- ▲ maintenance of oil or SF6 equipment to prevent leaks;
- ▲ painting the towers of overhead lines (OHL) using colors adequate for the landscape;
- ▲ deforestation/ maintenance of OHL safety corridors;
- ▲ restoring/developing the land to bring it to its initial state (after completion of works).

Purchasing services for

- ▲ monitoring the quality of waste water from Company substations and offices and proposing solutions to reduce pollution according to the requirements of environmental and water management permits;
- ▲ monitoring the pollutant emissions in the atmosphere (noise, electromagnetic field, pollutant emissions, ozone concentrations); the values obtained for the determined parameters have been analyzed and interpreted, resulting in conclusions on the pollutant emissions level and the compliance with limit values accepted by law.
- ▲ waste collection, sorting, transportation and capitalization/ disposal.

Environment management plan

- ▲ developing environment management plans for maintenance, refurbishment/modernization projects.

Through its future activity, Transelectrica aims to reduce the impact of installations over the environment, mainly by reducing the occupied land surfaces, reducing the impact over fauna and flora, reducing the electromagnetic field on the ground.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility policy

Beyond its economic performance, management quality and communication policy, Transelectrica wants to actively participate in the development of the society in which it operates through corporate responsibility projects.

Via the Corporate Social Responsibility Policy, approved in 2017, the Company aims to get involved in areas such as:

- ▲ art and culture
- ▲ education and training

- ▲ humanitarian actions
- ▲ environment
- ▲ community development
- ▲ responsibility towards employees
- ▲ corporate volunteer actions

The main objectives of the Company in terms of corporate social responsibility are:

- ▲ investing in the education and development of young persons
- ▲ supporting humanitarian initiatives of non-government associations
- ▲ participating in the community's development

- ▲ supporting employees in the event of major health problems
- ▲ involving employees in corporate volunteer actions
- ▲ investing in the protection of the environment

Analysis of community needs

From the perspective of community needs, the most significant issues that Romania is facing today fall under the social category (poverty and social inclusion of disadvantaged groups) or the

economic category (unemployment, reduced income), but also come from auxiliary fields such as quality of and access to education, health, electricity, drinking water.

By getting involved in local communities, it is our duty to contribute to solving certain stringent problems in Romania, such as the access to education and the quality of the educational process or the access to the sanitary system and the newest technologies in this field.

Involvement in the society

To support the development of a sustainable and efficient Romanian society, Transelectrica gets involved in communities in which it carries out its activity, attempting at the same time to get even closer to the needs of the people outside the Company's sphere of influence.

In 2017 the social responsibility projects towards the community have been focused on the humanitarian sphere, in education and innovation. In this way we supported different associations such

as the "Daruieste Viata" Association, the "PAVEL" Association, the "Atelierul de Zămbete" Association, the "Solar Decathlon Bucharest - EfdeN" Association. At the same time, we have concluded a partnership with the "Politehnica" University in Timisoara, the Faculty of Electrical and Power Engineering for the modernization of high voltage laboratories, among other projects.

Finally, between November and December 2017 the executive management of Transelectrica encouraged employees to participate as volunteers in the "Shoebbox - The gift in the shoebbox" project.

Projects in which Transelectrica was involved



Education and training

Humanitarian actions

Environment

Corporate volunteer actions

Education and training

"Politehnica" University in Timisoara, the Faculty of Electrical and Power Engineering

Increasing the professional quality of graduates from power engineering faculties implies educating students in modern laboratories to complement their theoretical knowledge with practical abilities.

In 2017, Transelectrica completed the modernization process of the High Voltage Laboratory, started in 2016, by granting a sponsorship which allowed purchasing several pieces of necessary equipment.

Supporting students from energy Faculties by granting scholarships

Considering the Company's personnel strategy and policy, as well as the developments on the labor market registered in recent years, it became clear that it is necessary to attract, mainly from the technical fields and already in the studies period, students who achieved particularly good results. Considering that the energy field is in need of new specialists, we wished to support young students in their endeavors to acquire the knowledge necessary to perform well professionally. In 2017, the Company granted 10 scholarships to students from energy faculties, both from Bucharest and from other cities.

Partnership between Transelectrica and the National Romanian Institute Studying the Development and Utilization of Energy Sources (IRE)

The Company also pays great attention to the development of future electric power engineers. For nearly 4 years, IRE (National Romanian Institute Studying the Development and Utilization of Energy Sources), Romania's representative in Eurelectric, selects young people from the Polytechnic Universities in the country to participate with scientific articles to the "Students Competition" section of the annual Eurelectric Conference. To this respect, Transelectrica provided material support to participating students, covering their travel and accommodation costs abroad.

Humanitarian actions

The 'Dăruiește Viață' Association

Transelectrica joined the courageous project initiated by the "Dăruiește Viață" Association to build from the ground up the first oncology and radiotherapy integrated clinic at the Clinical Emergency Children's Hospital "Marie Curie" from Bucharest. The clinic can ensure multidisciplinary treatment to patients and can positively influence the survival rate - which is one of the lowest in EU countries.

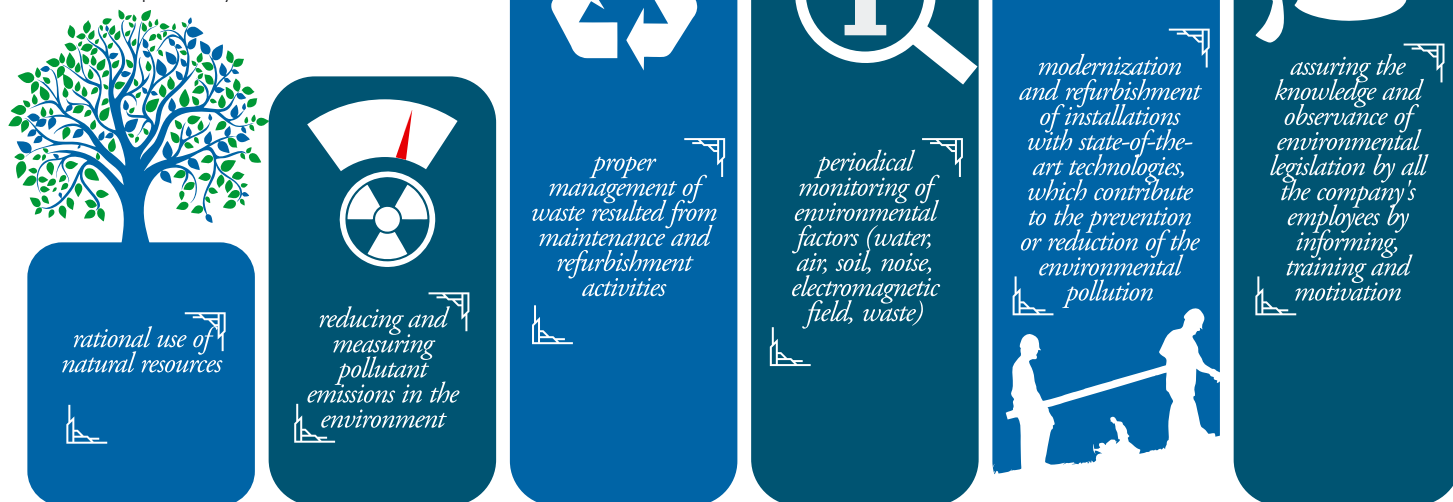
The "Pavel" Association

Transelectrica supports the "CA ACASĂ" project | campaign for the rehabilitation of the PAVEL Association accommodation, aiming to rehabilitate the accommodation needs on which the Association carries out its activities with children and adolescents with oncological diseases, as well as their parents.

Future measures for reducing locally identified problems

Environmental protection

Through our environment policy we commit to carry out all our specific activities in a reasonable manner, paying corresponding attention to the impact over the environment and to the sustainable development by:



"Atelierul de Zămbete" Association

Together with the "Atelierul de Zămbete" Association, Transelectrica aims to contribute to the strengthening of the Romanian educational and child protection system. In December 2017, Transelectrica employees managed to bring a dash of hope and joy in the lives of children from four foster centers in Bucharest, helping Santa Claus to prepare the presents for them.

Environment

"Solar Decathlon" Association in Bucharest – EF DEN At Solar Decathlon Middle East 2018

Green energy is surely a topic that must be approached by all important companies worldwide, but particularly by those which directly operate in the energy field. Transelectrica wishes to develop new technologies in Romania that will allow access to green energy even at the

population level, in order to assure sustainability of resources but also to improve the quality of the environment. Consequently, the Company decided to get involved in the largest education and research project in the field of green buildings and sustainable urban developments in order to improve the development of solar houses. The team's objective at the Solar Decathlon Middle East – Dubai 2018 competition is to build a solar, green, 100% electrical building functioning on renewable energy - a safe and comfortable home.

Corporate volunteer actions

SHOEBOX Campaign – The gift in the shoebox

Transelectrica joined the ShoeBox project - The gift in the shoebox. The company's employees had the opportunity to give a present wrapped in a shoebox, meant to bring a smile on the lips of children with limited financial possibilities from the entire country. This campaign gathered 169 gifts which reached to disadvantaged children in Romania.

Transelectrica, as transmission system operator, believes it has a major responsibility towards future generations and permanently strives to identify sustainable economic solutions to develop and modernize its installations according to EU environmental protection requirements.

Education

In terms of corporate social responsibility, we aim to support education in order to increase its quality, both in technical terms, specific to the Company, and in terms of ancillary fields. In

order to support these ideas, we shall continue our involvement in increasing education quality in Transelectrica's specific field of activity.

Health

The health of employees and of everyone around us must be a priority for any company. Consequently, in the following year we will continue to help relevant associations that will present eligible projects aiming to improve Romania's health system.

Corporate volunteer actions

In Romania, more and more employees believe that social and ethical values of the companies they work in are of great importance. Therefore, employees represent a significant audience for Transelectrica's corporate social responsibility strategy. Corporate volunteer actions are the most relevant types of teambuilding plans, because of the greater involvement of employees in the organized actions. The Company aims to promote this activity even more in the future.

ENERGY EFFICIENCY

Being an EU member since January 1st, 2007, Romania undertook in the pre-accession period to revise and adapt its legal provisions in terms of energy efficiency, improvement of the transmission grid and technical upgrade.

Transelectrica prepares the "Energy Efficiency Improvement Program" each year

Regulations were designed to distinctly address the industrial sector (economic agents in the industry), the tertiary sector (economic agents, public institutions, non-governmental organizations, etc.) and the residential sector (the population). Depending on the nature of energy receptors, the regulations pertain to installations, assemblies, equipment, devices and buildings. The purpose of the regulations aimed at energy efficiency is to promote and stimulate approaches and mechanisms such as:

- ▲ energy management at consumer level;
- ▲ development of efficient technologies in terms of energy;
- ▲ promoting new and renewable energy sources;
- ▲ developing and diversifying services in terms of energy efficiency;
- ▲ professional training and education with respect to energy conservation;
- ▲ promoting international cooperation programs for energy efficiency.

The energy efficiency approach in Transelectrica considers two significant aspects, namely:

- ▲ Energy efficiency of installations and equipment in the power transmission grid;
- ▲ Energy efficiency of buildings from the estate.

Transelectrica falls under the category of indus-

trial consumers with over 1000 toe (tons of oil equivalent) and the legal requirements set out certain obligations for this type of consumers, both in organizational terms and in terms of the measures that must be taken, such as:

- ▲ drafting a "Statement of consumption" and a "Energy analysis questionnaire" regarding the previous year;
- ▲ drafting an "Energy efficiency report" regarding the previous year;
- ▲ drafting an "Energy efficiency improvement program".

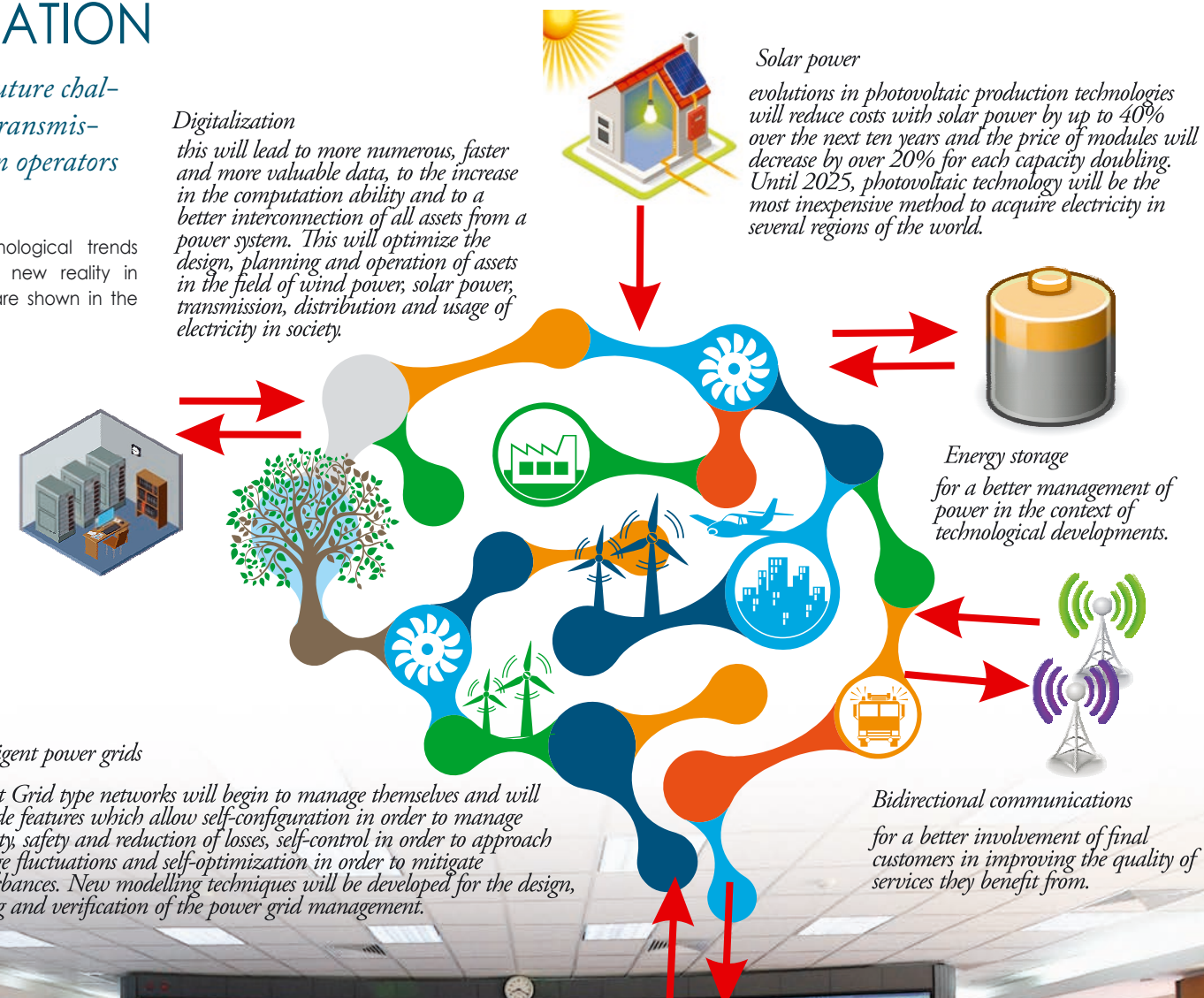
Actual activities for increasing efficiency

- ▲ performing energy audits;
- ▲ optimizing the electricity supply of Transelectrica premises;
- ▲ elaboration of specific requirements in the design documentation on the upgrading of PTG assets in line with the specifications in Law 121/2014;
- ▲ use of the ENTSO-E methodology for validating energy performance in modernization projects.

INNOVATION

Current and future challenges for the transmission and system operators (TSO)

The relevant technological trends that will create a new reality in the power system are shown in the following chart:



Digitalization
this will lead to more numerous, faster and more valuable data, to the increase in the computation ability and to a better interconnection of all assets from a power system. This will optimize the design, planning and operation of assets in the field of wind power, solar power, transmission, distribution and usage of electricity in society.

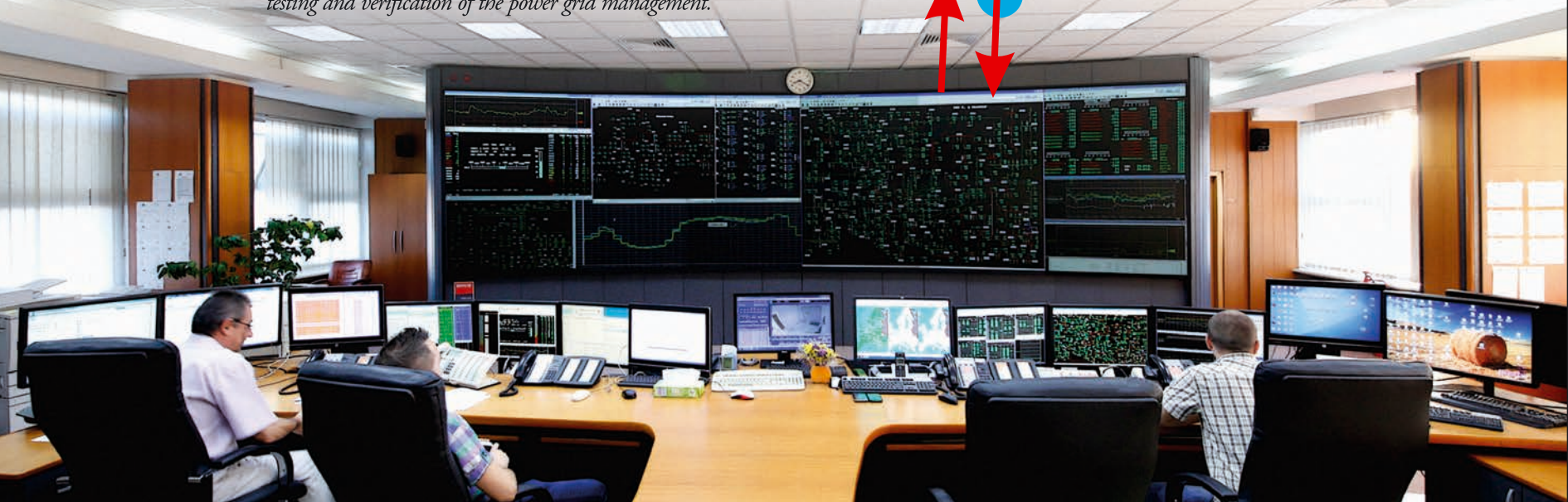
Solar power
evolutions in photovoltaic production technologies will reduce costs with solar power by up to 40% over the next ten years and the price of modules will decrease by over 20% for each capacity doubling. Until 2025, photovoltaic technology will be the most inexpensive method to acquire electricity in several regions of the world.

Energy storage
for a better management of power in the context of technological developments.

Bidirectional communications
for a better involvement of final customers in improving the quality of services they benefit from.

Intelligent power grids

Smart Grid type networks will begin to manage themselves and will include features which allow self-configuration in order to manage security, safety and reduction of losses, self-control in order to approach voltage fluctuations and self-optimization in order to mitigate disturbances. New modelling techniques will be developed for the design, testing and verification of the power grid management.



Main research and innovation challenges for electricity transmission and system operators:

Using techniques for data extraction and HPC (High Performance Computing)	for a better grid management, closer to its physical limits
Using new materials and technologies	in order to increase grid flexibility
Developing methodologies and instruments in order to operate the grid closer to its physical limits, without endangering its security	TSOs will have to develop decision making expert systems and support instruments in order to anticipate potential emergency situations, to offer a warning to system operators in due time and to suggest possible solutions in real time, along with their probability of success.
Increased use of renewable sources	digitalization of the power system and cybersecurity problems pertaining to these developments and a more active involvement of the client on the energy market are new challenges to which the power system responds to through investments in research and innovation activities.
Developments in other sectors	such as batteries which brought new solutions/challenges in the power system and the need to extend the spectrum of options contributing to system services. Interactions with other electricity conveyors might also become an option in and of itself.
Power system digitalization	the development of the information technology sector in the entire society and economy will also influence power systems. The transfer from a "copper-based supply system" to a system that integrates information technology to a higher extent, given that data and data nodes management supporting cybersecurity issues is of great significance. These new developments must be taken into consideration and even completely integrated in the research and innovation activities of grid operators; new complex activities will have to be defined regarding the digitalization of the power system.
Maintaining system security and stability	it is necessary to carry on the usage of new materials, concepts, standards, instruments and algorithms which will process more and more information in order to approach the power system security and stability issue.

Objectives of the Research and Innovation Strategy

Structuring general and specific objectives shall take place considering the methodology promoted within the ENTSO-E strategy for research and innovation.

The Energetic Union Strategy aims to increase the use of renewable energy sources in the energy mix, which will strengthen the consumers' position and will put households and businesses in the center of the European energy market. The purpose of the research and innovation activities proposed in the ENTSO-E roadmap is an answer to these challenges through the use of new technologies and solutions.

Research, Development and Innovation have as main objectives, among others:

- I. Digitizing activities and expanding SMART Grid elements

- II. Increasing the share of energy production from renewable sources
- III. Stability and safety in operation
- IV. Standardization and data exchange
- V. Developing new business models
- VI. Integration of storage systems
- VII. Increasing efficiency in using the Power Grid
- VIII. Involvement of staff in events with an important innovation component and research both within the national and international contexts.

For Transelectrica, the need to accelerate technological innovation is obvious. The development of new networking technologies and modeling methods will enable the Company to fulfill its mission in an evolving energy system.

Research, Development and Innovation done by the Company are complementary to the work carried out by universities, research institutes or equipment manufacturers.

The Company focuses more on integrating the technology than on innovation or on the production of new technologies itself.

Funding for research and innovation is provided from internal and external sources (eg grant programs, subsidies, subventions, partnerships, etc.).

The research and innovation strategy consolidate the Company's vision in terms of the transmission grid modernization, assuring the necessary support for the implementation of priorities comprised in the Company's Development plan. However, the strategy claims that the development of intelligent technologies implies a significant effort for the implementation of a larger number of "intelligent initiatives".

The research and development strategy assure the operationalization of all interested parties' vision in terms of implementing a flexible, open and interoperable infrastructure within a digital portfolio in which traditional processes, mainly the

manual ones (based on paper and printing) are eliminated or digitalized so that information may be accessible in real time.

The objectives included in the "Research and innovation strategy" bring added value in the following fields:

- ▲ the Company's strategic vision;
- ▲ asset management;
- ▲ improving the key performance indicators portfolio;
- ▲ developing key abilities necessary for the grid operation;
- ▲ capitalizing opportunities for improving the Company's performance;
- ▲ developing skills for the Company's personnel;
- ▲ maintenance and operation policy;
- ▲ developing partnerships with technologies and solutions suppliers.

In the research field, the Company has set strategic priorities both through its own projects for implementing new technologies and by developing and strengthening partnerships.

According to the programs developed or initiated in the last years, amongst Transelectrica's projects, we find::

Implementing technologies for monitoring and controlling the network and its components;

2. Installing sensors and developing smart infrastructure to monitor the technical condition of critical assets;
3. Implementing security solutions for information confidentiality, availability and integrity;
4. Non-destructive investigative systems for inaccessible PTG poles elements (underground anchors). The solution is extremely useful considering the difficulties caused by disruptions as well as those caused by the extensive excavation works;
5. Bird protection systems conforming to Environmental Guard requests. These are measures taken to protect birds living near high voltage lines;

6. PTG gallop mitigation systems with pendulum elements. The solution is already proven to be extremely effective in maintaining the mechanical stability of the lines;

7. Determining and using dynamically established transport capacity. The solution for efficient network exploitation is based on the dynamic evaluation of lines using several available measurements and forecasting techniques. Acquisition of associated data is very often combined with meteorological measurements. The line conductor model can be calibrated and used in a subsequent process to obtain variable transport capacity limits, considering the environment cooling or heating as major input factor.

It should be noted that this solution is not a substitute for network development, but a complementary method for better exploitation of the existing infrastructure.

In line with the research and innovation strategy, the Company proactively capitalizes on the opportunities offered by its European projects, as follows

CROSSBOW European Research Project

The project was part of the European Commission's "Horizon 2020" program on research and innovation, respectively the LCE-04-2017 "Demonstration of system integration with smart grid and storage technologies with increasing share of renewable", with a budget of 17 million Euro, financed entirely from structural funds.

CROSSBOW proposes resources share to promote the cross-border management of renewable energy and storage units, allowing greater penetration of renewable energy sources, while reducing the operational costs of the network and improving the economic benefits of Sustainable Renewable Energy and storage.

Transelectrica is one of the targets TSOs, from the eight involved, with an important role in the project, from the network's point of view, considering its geographical position and especially the market development level.

The integration and marketing of products and services developed by CROSSBOW is planned for up to 36 months after the project completion. It will help create over 70,000 jobs, cut greenhouse gas emissions by three metric tons and increase energy production from renewable sources by 10% (15.2 TWh).

The European Research Project RE-SERVE (Renewable in a Stable Electric Grid)

The European power systems are actively involved in finding solutions for the use of renewable energy resources in balancing the system, as a source of system services and in achieving the environmental objectives assumed at the Community level. The technologies that will form the energy system's basis by 2030 and 2050 are still in the research cycle and need to be fully developed before they can demonstrate their potential value in the future pan-European energy system.

The "RES (Renewable Energy Source) Integration in the Energy System" was launched in the European Commission's research and innovation program (H2020-LCE-2016-2017, LCE-07-2016-2017 program). With a budget of 4.9 million Euro, the RE-SERVE project is part of this program and it is fully financed through European funds.

Developed over three years (2016-2019), the project aims to investigate new concepts of technological system services in the context of the renewable energy sources widespread integration into power systems and the possibilities of using these sources in balancing systems. The performance of the new mechanisms will be investigated through various laboratory simulations in a virtual testing area. All RE-SERVE work packages look at short-term (2016-2017), medium-term (2020+), and long-term (2030+) simulations

The European Research Project FUTURE FLOW

The project is part of the Pan-european Competitive Market Implementation Program, with the achievement of the Community's emissions targets (Horizon 2020 - "Call for competitive low-carbon energy", "Transmission grid and wholesale market" section), and aims to address a number of operational and market issues in the

context of implementing the new network codes on balancing power systems and creating regional system services markets. The project addresses both Transmission System Operators and traders in the electricity market and manufacturers of industrial and communications components in the electricity field.

The project has a budget of approximately 14 million Euros, provided through structural funds, and takes place over 4 years, between 2016-2020.

Challenges regarding asset management for Transmission and System Operators (TSO)

The Company's SMART GRID policy commits to objectives and targets for the following 10 years and supports Transelectrica's Strategy for asset management.

ENTSO-E members implemented consistent Smart Grid initiatives:

- ▲ Smart Grid strategies and policies;
- ▲ unitary management in terms of organization and implementation of Smart Grid concepts;
- ▲ infrastructure projects which apply:
 - the CEN/CENELEC/ETCI/ ISO/IEC interoperability standards;
 - cybersecurity standards and policies;
- ▲ asset management integrated concepts, supported by Smart Grid concepts::

- organization – active health centers;
- health index concept;
- risk index concept;
- concept of monitoring the technical condition of the asset.

The development of practices pertaining to asset management implies knowledge, methodologies and technologies for:

- ▲ concepts of monitoring the technical condition;
- ▲ using condition-based maintenance;
- ▲ optimizing the life cycle costing of installations/equipment;
- ▲ a better understanding of the way in which the grid works and the conditions affecting the ageing of critical assets

From the Smart Grid perspective, asset management will allow significant developments in the following fields:

- ▲ grid planning;
- ▲ social and economic impact.

Advantages of applying Smart Grid concepts and standards

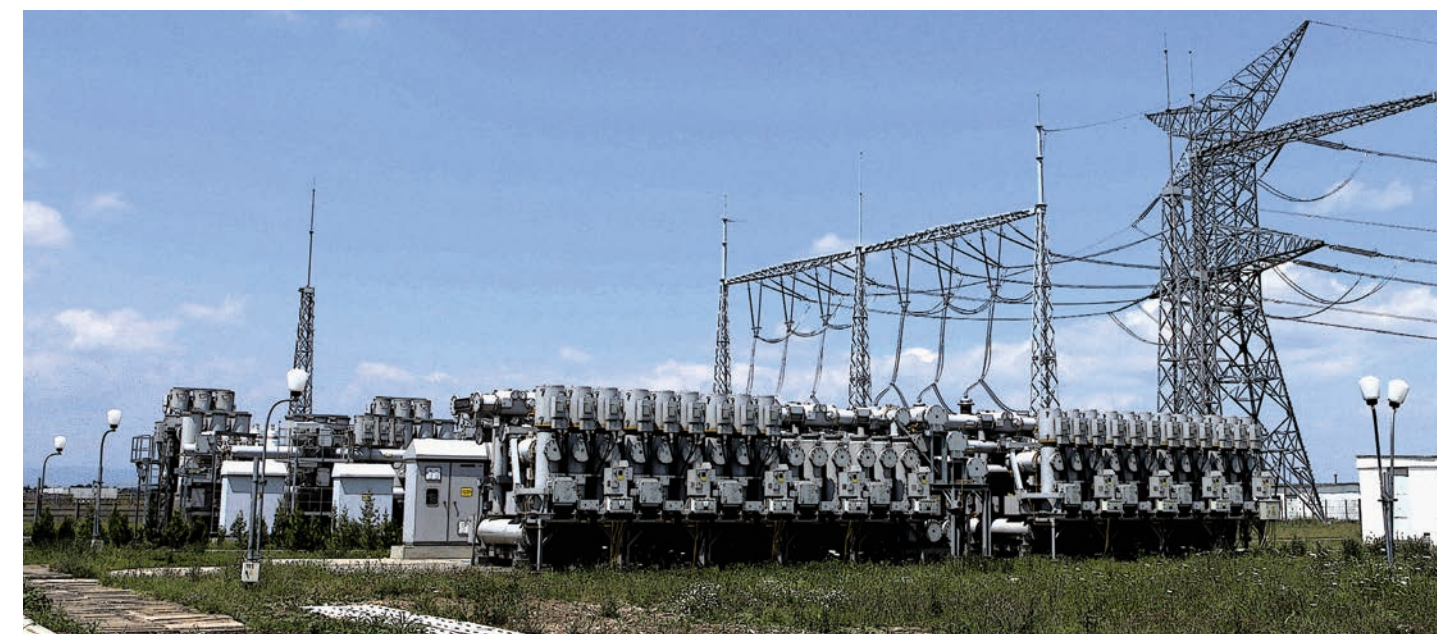
The advantages of applying Smart Grid concepts and standards for supporting an efficient asset management:

- ▲ improving financial performance;
- ▲ decisions related to investments and asset

- management are well grounded;
- ▲ management of risks related to the operation of power systems;
- ▲ improved services and results;
- ▲ increasing operational efficiency and effectiveness (Operational Excellence);
- ▲ extending the lifetime of assets.

Periodical preventive maintenance actions based on the flexibility of grid assets will support the decisions of grid operators in order to improve the general flexibility of power systems and will contribute to a higher level of renewable sources integration.

In order to improve risk management in transmission grid we must implement predictive maintenance policies based on more precise estimations of the lifetime of assets.



ABOUT THIS REPORT

Transelectrica publishes for the first time a sustainability report which uses specific indicators for defining the Company's activity in order to get as close as possible to the expectations of stakeholders. This report has been prepared in accordance with the "GRI Standards: Core option" and it covers the reporting period January 1st, 2017 – December 31st, 2017. Information included in Transelectrica's Sustainability Report do not comprehensively address the non-financial aspects of the Company but aims to represent a first step towards achieving the transparency level desired both by the Company and by stakeholders. At the same time, we chose this reporting standard in order to make sure that interested parties receive relevant information according to international tendencies, without limiting to the mandatory reporting topics set out in the applicable legislation. Starting with this report, Transelectrica intends to report the non-financial informations annually. The point of contact for questions or any other information is the Company's headquarter located in 2-4 Olteni street, 3rd district, Bucharest, Service for Non-Financial Reporting and Corporate Governance Service within Transelectrica.

GLOSSARY

AGA	General Assembly of Shareholders	ENTSO-E	European Network of Transmission System Operators for Electricity	NPS	National Power System
ANRE	National Energy Regulatory Authority	GRI	Global Reporting Initiative	OHL	Overhead Power Line
BSE	Bucharest Stock Exchange	GWh	Gigawatt hour	PTG	Power Transmission Grid
CPT	Own Technological Consumption	IEM	European Internal Energy Market	TSO	Transmission and System Operator
CRE	Romanian Energy Center	KPI	Key Performance Indicators	TWh	Terrawatt hour
dB	decibels	kV	Kilovolt	UCTE	Union for the Coordination of the Transmission of Electricity
EGRC	Risk Management Team at Company level	MW	Megawatt	UNO-NPD	Operational Unit - National Electricity Dispatcher
		NAS	National Anti-Corruption Strategy		

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