



Sustainability Report

2020

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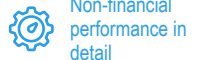
Caring for the
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Dear readers,

We are pleased to share the 2020 Sustainability Report of Electrica Group to all stakeholders openly and transparently, as we did over the past five years.

2020 was a distinct year, marked by uncertainty and by the impact the COVID-19 pandemic had on the economic and social environment. We all faced a lot of challenges, tested our limits, our ability to adapt and our responsiveness. However, in a joint effort, with ownership and responsibility, we successfully overcame all the challenges, continuing to ensure the best conditions for operation performance, continuity in electricity supply and national energy system functioning. All this time, we were committed to and concerned about the safety and health of our employees, customers, partners, continuing to provide stability for investors in an exceptional, unprecedented situation.

Message from the CEO

GRI: 102 -14

The Group began 2020 with a strategy well-defined on several lines on action that enabled us to promptly and effectively act in the global context. Therefore, we quickly integrated the action plan to respond to the coronavirus pandemic situation. We prioritized work on limiting the effects of the COVID-19 spread, developed a resilience plan and adopted special protection measures.

In addition to adaptability, solidarity has been the watchword during all this period. We continued to stand by the local communities and we hope that we have been able to have a positive impact by involving and supporting, in the whole Group, first of all, the frontline medical staff by supporting the county hospitals for the purchase of the much supplies needed in the fight against this virus.

In fact, as the stakeholder consultation process revealed, the concern for the employees and the involvement in the local communities continue to be themes of interest to our stakeholders, along with climate change and ethics and integrity matters. Year after year, we try to raise the standard in terms of sustainable development, in line with our stakeholders expectations and, certainly, with the Group's strategy.

In this regard, we continued this year also to invest in the future of the company, including by running programs

to support dual education vocational classes in the energy sector. We intend to provide young electricians with know-how and instill a love for the profession.

Transparency and improved environmental, social and governance performance are not only natural stakeholder expectations but also, clear objectives of the company. We acknowledge the importance and long-term value associated with good sustainability performance, both for the shareholders and for the society, and we continuously work to identify new opportunities for improvement.

As such, we believe that the present is an appropriate time for an environmentally centered economic recovery, and we make every effort to align our strategic directions with the developing goals of energy transition and low carbon emissions.

I am pleased to add to the list of achievements the purchase of the Stănești Photovoltaic Park in the Giurgiu County in June 2020, as a first step in achieving medium and long-term objectives, in line with the Group's strategy, namely, entering a new market, that of renewable electricity production.

In 2020 we continued our ambitious investment plan in the distribution area, where we commissioned installations worth more than RON 600 million, 43% above the minimum

level requested by the ANRE. The total investments envisaged and performed by the electricity distribution companies of Electrica Group during 2018-2020 exceeded RON two billion, being by far the largest investments among distribution operators. In fact, after the 2014 listing, Electrica Group became the largest investor in the modernization and retrofitting of the electricity distribution networks, with total investments over RON 4.2 billion during 2014-2020. The most important investments are for improving the distribution service quality and increasing operational efficiency through modernization, automation of installations, implementation of modern technologies as well as increasing energy efficiency by reducing network losses. In the long term, the strategic directions will focus on developing the business model in conjunction with preparing the distribution networks to meet the challenges of the energy transition.

From the perspective of the electricity supply market liberalization, one of our objectives has been and continues to be cost optimization for the end clients, while facilitating the transition of clients to the competitive market, primarily by simplifying contracting flows. At the same time, we have diversified our product portfolio to meet consumer needs with stable offers reflecting different consumption habits, predictable prices and transparent contract terms. The traditional electricity supply offer has been complemented by combined electricity, gas and value-added services packages.

Also, the confirmation of the corporate rating of issuer BBB by Fitch Ratings also reflects Electrica Group's sound financial profile, appropriate liquidity, low leverage ratio

and leadership position in both the distribution, and supply areas.

Last but not least, at the end of 2020, Electrica Group successfully completed the merger by absorption of its three distribution companies. Starting 1 January 2021, the new company Distribuție Energie Electrică România S.A. (DEER) becomes the largest electricity distribution operator at national level, with a 40.7% coverage of Romania's territory, serving over 3.8 million network users.

Among the benefits expected from the merger, the following can be listed: improving quality of the distribution service and implementation of the "customer experience" concept for users, improving operational and financial results and financial position, reflected in added value for shareholders, as well as optimizing operating expenses, effective support functions, improving network security and continuing and finalizing the projects initiated, with a unified focus on strategic initiatives.

On the energy service segment, we decided to develop a cost-optimized company for integrated energy services, with in-house capabilities and partnerships which to enable flexibility and promptness in offering a large range of services.

In 2020 also, as in the last four years, we were honored that Electrica could be found in top 10 most valuable Romanian brands.

During this entire difficult period, our main objectives were as follows: protecting the health of our customers,

employees and partners and ensuring continuity in the electricity supply for our more than 3.8 million clients, and we achieved this. I am proud of the whole team for the way we managed this complicated year, which taught us once more the meaning of solidarity and adaptability.

Going forward, our aim is to have a positive social impact for everyone involved in the company's value chain, and to change the lives of millions of people for the better through sustained involvement in the communities where we operate.

Georgeta Corina Popescu,
Electrica CEO

”

2020 IN FIGURES

ELECTRICA A valuable company

TOP 10 most valuable Romanian brands, according to Brand Finance Romania 50 (2020) ranking

RON 6,666.5 million revenues
(+ 3.5%)

RON 1.232 billion contributions to state and local budgets (+ 12%)

RON 387.5 million net profit
(+ 87.5%)

RON 953 million EBITDA

Energy anywhere, anytime, for anyone!

19.25% of national energy needs

200,146 km of power lines

97,196 km² covered area - **40.7%**
of the Romanian territory

17.48 TWh distributed electricity

3.8 million users

9.3 TWh energy supplied (+ 0.4%)

RON 609.2 million investments
in modernization of distribution
networks

278 min. SAIDI (-10%)

Promoter of green economy

RON 14.36 million investments in
environmental protection

RON 3 million investments in
biodiversity protection

> **75%** recycled waste

> **31%** electricity supplied from
renewable sources

3,986,017 green certificates (+ 5%)

585 prosumers

Purchase of photovoltaic park
with a production capacity of **7.5 MW**

Investing in society Investing in the future!

8,147 Electrifica employees

777 new employees

23.5% women in Electrifica Group

32.2% women in the management
structure

0 incidents of discrimination

18,041 hours of professional
training

312,100 OSH-ES training hours

< **0.3 rate** of work-related injuries

709,367 Euro investments in social
responsibility

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01 About this Report

GRI: 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55

Electrica Group launches the fifth Annual Sustainability Report, which presents the achievements, challenges and impact of our activity in the financial year 2020 (January 1, 2020 - December 31, 2020), a year full of challenges for organizations and society in general, as a result of the pandemic caused by COVID-19.

This report has been prepared in accordance with the GRI Standards: Core option, GRI-G4 Electric Utilities Sector supplement, as well as with the national legislation on non-financial reporting - Orders No. 1938/2016 and No. 2844/2016 issued by the Ministry of Public Finance.

The results presented in the Report are consolidated at the level of Electrica Group. This limitation applies to all material topics, unless otherwise clearly and distinctly mentioned for a specific material topic in the text of the Report. Our partner in the preparation of this Report is EY Romania, through the Department of Climate Change and Sustainability.



CONTACT

For more information related to this report, comments, suggestions and other questions regarding our approach to sustainability, please contact us through the Communication, PR & CSR Department of Societatea Energetică Electrica S.A., at the e-mail address: csr@electrica.ro.



STAKEHOLDER ENGAGEMENT

In order to continue evolving, we need to learn and respond to the diverse needs of all our stakeholders, and the best way to identify them is to maintain an open and regular dialogue, thus being able to adapt and focus our efforts according to the requirements and expectations of those with whom we interact.

As one of the most important players in the energy sector, we face the challenge of addressing various categories of internal and external stakeholders. For this reason, just like in prior years, for 2020 also, we used a complex materiality evaluation process, identifying and analyzing material issues in terms of their significance to both our business and our stakeholders, and thus determining the structure and content of our Sustainability Report.

The first step of the materiality process was to identify the topics relevant to Electrica Group operations by analyzing standards, frameworks and international sustainability initiatives (Global Reporting Initiative Standards, Sustainability Accounting Standards Board, Non-Financial Reporting Directive), articles emerging in the media, as well as sustainability reports published by leading companies performing similar activities. The list of topics was then analyzed internally, with each topic being assessed in terms of the economic, social and environmental impact. From this analysis we have obtained 22 relevant topics from four different areas (economic, market, environment and employees).

Subsequently, in order to quantify the importance of the topics for stakeholders and to determine the categories of material issues related to sustainability, we developed and submitted an online questionnaire to our internal and external stakeholders. Thus, we have collected a total of 473 responses, of which 70 from the external environment. The fact that this year we had an increase in the external response rate by over 60% compared to the

previous year, demonstrates the growing interest of stakeholders in presenting social, environmental and governance information (ESG).

We are pleased with the involvement of our Electrica colleagues, who have shown a particular interest in the sustainability report, 403 of them answering the questionnaire sent.

The categories of stakeholders consulted were:

- **Employees**
- **Shareholders**
- **Financial consultants and analysts**
- **Customers**
- **Suppliers**
- **Competitors**
- **Regulatory authorities**
- **Local and state authorities**
- **Civil society**
- **Financial institutions**
- **Professional institutions**
- **Educational institutions**
- **Research and development**
- **Mass Media**

LIST OF MATERIAL TOPICS

As a result of the stakeholder consultation, all 22 relevant topics identified in the first stage were considered material. Sustainability topics were then grouped into 16 categories to facilitate the reporting process. These have been included in the 2020 Electrica Group Materiality Matrix.

Compared to the previous materiality matrix, in 2020 two new topics emerged as material: supply chain and energy consumption, which are detailed in the sub-chapters “Suppliers” and “Climate Change and Energy transition”. Also, a number of sustainability themes remain at the top of the list, such as:



Health and safety at work;



Ethics and integrity;

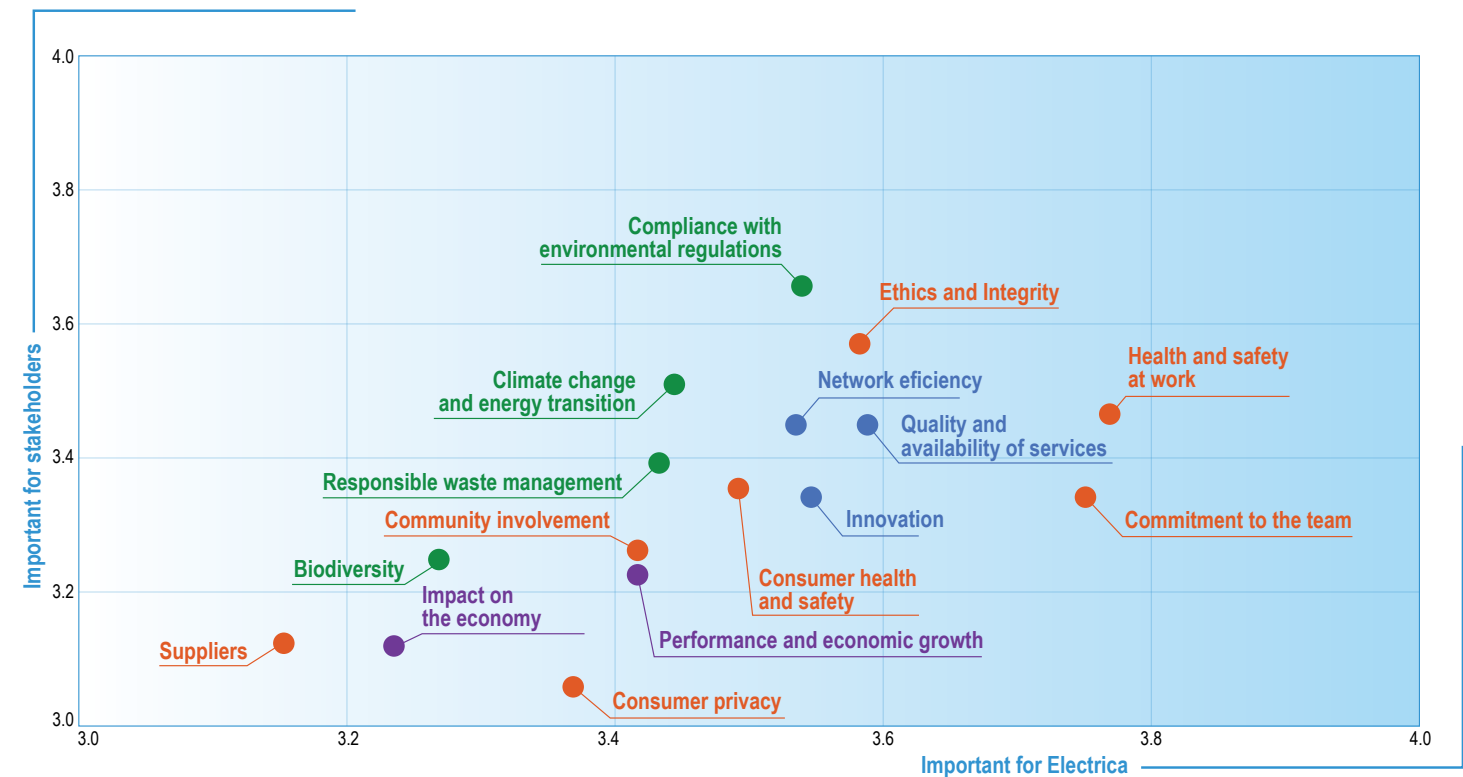


Climate change and energy transition.

List of Material Topics	Sustainability Standard	
Performance and economic growth	GRI 201	Economic /Strategy
Impact on the economy	GRI 203	
Quality and availability of services	EU 6, EU 7, EU 28, EU 29	Market /Services
Network efficiency	EU12	
Innovation	EU 8	
Climate change and energy transition	GRI 302	Environment
Biodiversity	GRI 304	
Responsible waste management	GRI 306	
Compliance with environmental regulations	GRI 307	
Commitment to the team	GRI 401, GRI 404, GRI 405, GRI 406	Employees /Society
Health and safety at work	GRI 403	
Community involvement	GRI 413	
Consumer health and safety	GRI 416	
Consumer privacy	GRI 418	
Ethics and Integrity	GRI 205, GRI 206	
Suppliers	GRI 308, GRI 414	



Materiality matrix



LEGEND

- 4 - Very important, I am looking forward to finding out more information;
- 3 - Important, I will read the information if it is available in the report;
- 2 - Less important, it seems to me this is an additional information;
- 1 - Not important.

02 Who We Are

GRI: 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-9, 102-10, 102-11, 102-13, 102-16, 102-15, 102-17, 102-18, 102-19, 102-22, 102-23, 102-24, 102-25, 102-30, 102-35, 102-36, 102-45, 205-1, 205-2, 205-3, 206-1, 308-1, 406-1, 414-1, 418-1



Electrica Group companies are one of the strongest representatives on the Romanian energy market, with a history being developed for more than 120 years and it continues being to date the most important national distribution network operator, and the electricity supplier with the largest number of clients.



the branch that provides electricity distribution, and a company resulted from the merger in 2020 of the three existing distribution companies within the Group - Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A., Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A. and Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A.;



the branch that manages the electricity trading activity and the supply of natural gas. In 2020, a subsidiary of Electrica Furnizare was established in the Republic of Moldova.



having as business the provision of services in the energy sector (maintenance, repairs, construction), which merged in 2020 with Servicii Energetice Muntenia S.A. – a company operating in the maintenance and investment work field, especially in the Southern part of the country;

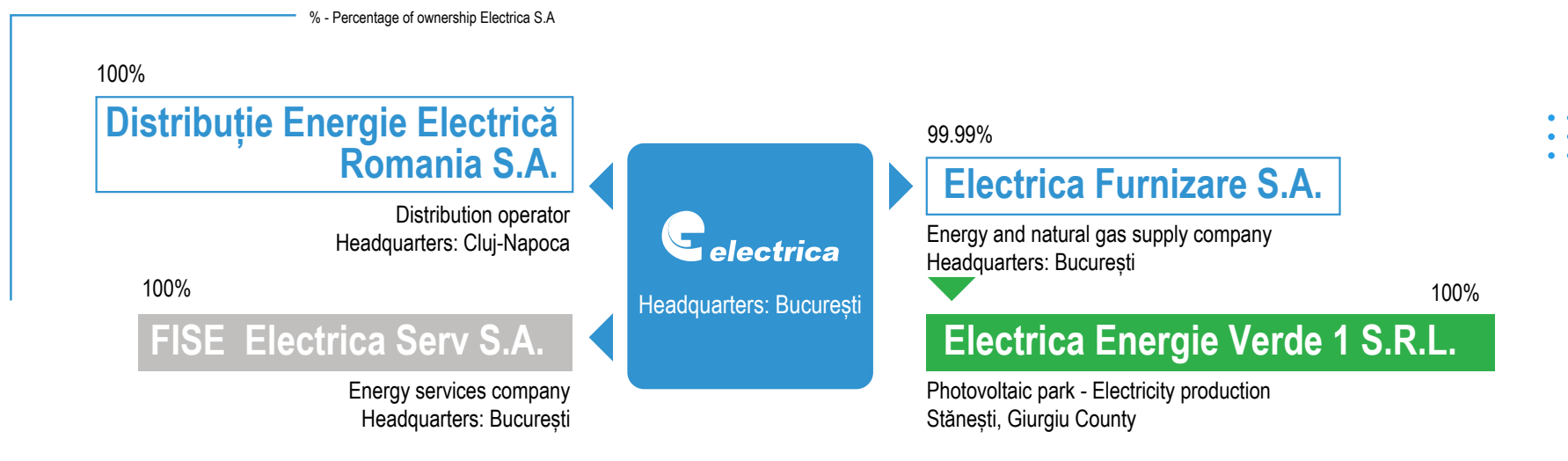


a company operating the photovoltaic park in Stănești, Giurgiu County, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW), purchased in 2020 and which ensuring the production of renewable energy.



Electrica Group provides services to approximately 3.8 million users and has national coverage area - organized in three area for electricity distribution: Northern Transylvania, Southern Transylvania, Northern Muntenia - and in the entire country for electricity supply, maintenance and energy services.

GROUP COMPANIES AT 31 DECEMBER 2020



PERFORMANCES RECOGNIZED IN 2020

Electrica Group remains in the Top 10 most valuable Romanian brands in 2020, according to Brand Finance Romania 50 ranking.

Brand Finance®

România 50 2020



Position 2000	Position 2010	Brand	Sector	Brand Value 2020	% Variation	Brand Value 2019	Rating 2020 Brand	Rating 2019 Brand
10	10	Electrica	Utilities	€137	+34,8%	€101	AA+	AA+



10 ← 10
2020: **€137m**
2019: **€101m**



+34,8%

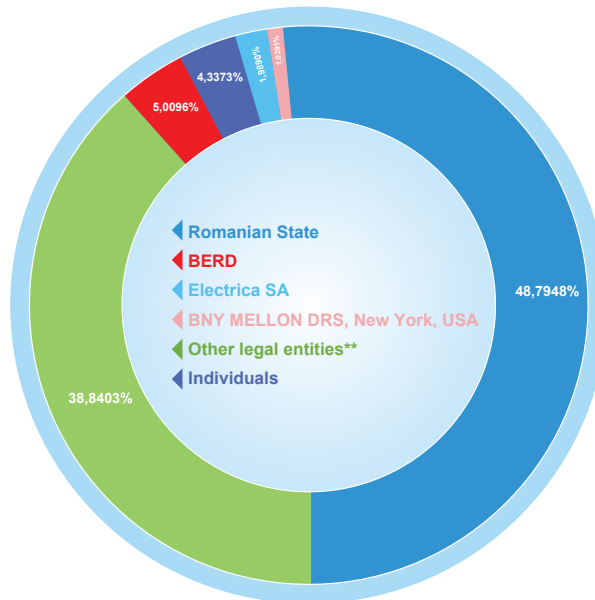
GROUP STRUCTURE AND SHAREHOLDING

Electrica is a majority privately-held company, listed on the Bucharest and London Stock Exchanges, being **the only Romanian listed company in the field of electricity distribution and supply**.



Until July 2014 the Romanian State, through the Ministry of Energy, was the sole shareholder of Electrica. Starting 4 July 2014, following the Initial Public Offering, the Company's shares are listed on the Bucharest Stock Exchange (BVB – EL symbol) and the global depository receipts are listed on the London Stock Exchange (LSE – ELSA symbol).

THE SHAREHOLDING STRUCTURE AS AT 31 DECEMBER 2020 WAS AS FOLLOWS:



Shareholder	Number of shares	Shareholding (% of the share capital)	Percentage of voting rights (%)
The Romanian State through the Ministry of Economy, Energy and Business Environment (currently, the Ministry of Energy) Bucharest, Romania)	169,046,299	48.7948%	49.7850%
European Bank for Reconstruction and Development	17,355,272	5.0096%	5.1112%
Electrica SA	6,890,593	1.9890%	0%
BNY MELLON DRS, New York, USA	3,565,252	1.0291%	1.0500%
Other legal entities**	134,559,772	38.8403%	39.6285%
Individuals	15,026,409	4.3373%	4.4254%
TOTAL	346,443,597	100.0000%	100.0000%

CORPORATE GOVERNANCE

Electrica Group has always been greatly concerned with the implementation of best practices in corporate governance, the key element for long-term business development and creation of a sound relationship with the Company's shareholders and stakeholders.

Corporate governance is the set of principles representing the fundamentals of the administration framework through which Electrica is led and controlled, and the defining element of our business strategy and, therefore, of our performance and success.

Translated into internal regulatory documents, these principles determine the efficiency and efficacy of the control mechanisms adopted in order to protect and align all interests of the stakeholders – shareholders, directors, managers, employees and organizations representing their interests, clients and business partners, suppliers, central and local authorities, regulators and capital markets operators.

The Code of Corporate Governance (CCG) implemented by Electrica embeds general principles and rules of conduct which set forth and

regulate the corporate values, the responsibilities, the obligations and the business conduct of the Company. The Code is also a guide on business and corporate governance conduct developed for Electrica management and employees, as well as for other stakeholders.

Electrica applies the provisions of the Corporate Governance Code issued by the BVB, and the compliance is presented annually in the Corporate Governance Statement Comply or Explain. It is available on [website](#) in *Section Investors > Corporate Governance > Comply or Explain*. Electrica's compliance with the BVB Corporate Governance Code is thoroughly assessed, and as updates and developments are issued, they are promptly reported to the capital market.

To ensure high standards of corporate governance, transparency and business integrity, Electrica also applies the provisions of the Corporate Governance Code issued by the London Stock Exchange.

Electrica governance is based on the following pillars:

- vision and strategy
- ethical values and principles; zero tolerance for corruption
- flexible, efficient and effective management
- responsibility and accountability
- increasing growth in shareholder value over the longer term



Also, in accordance with European and national regulations regarding market abuse, Electrica has implemented a policy on preventing the misuse of inside information, unauthorized disclosure of inside information and market manipulation (**Market Abuse Policy**).

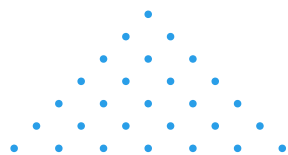
In accordance with Company policies and the provisions of the Code of Ethics and Professional Conduct, the Audit and Risk Committee ensures that the company's business is conducted with honesty and integrity, including by implementing the whistleblowing policy.

Electrica has in place a **Policy for reporting ethical misconduct, irregularities or any violations of law by professional alerting devices (whistleblowing)**, whose purpose is to protect the company against ethical or integrity

misconduct, fraud and any other non-compliance that may damage the image, may cause commercial prejudice or involve legal penalties, therefore impacting on Electrica Group reputation and profitability. **The whistleblowing**, which works according to this policy, as well as the policy itself, are available on company website in section Whistleblowing.

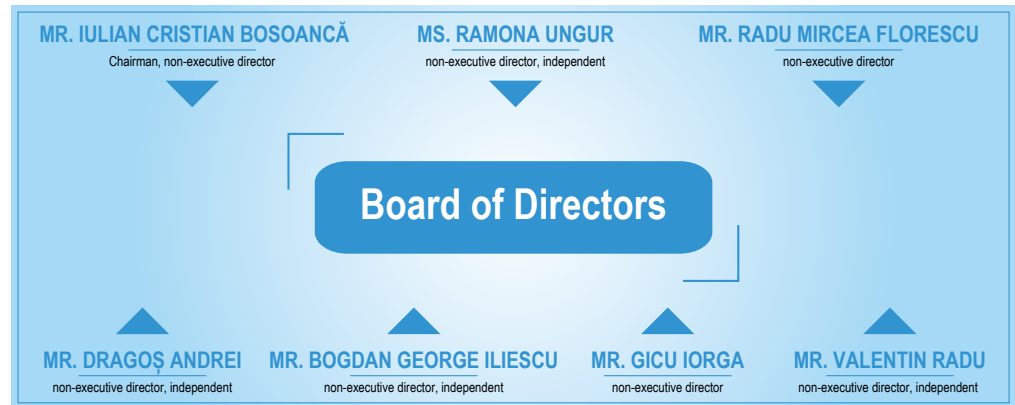
The integrity reports regarding the Group's activities are recorded, processed and sent to an independent operator, specifically subcontracted for this purpose. The independent service provider undertakes to keep the Whistleblower's data confidential to the extent they are not required by law to do otherwise. The compilation and investigation of the facts reported by whistleblowers is performed by the Audit Department and by Electrica's

specialized departments, avoiding any conflict of interest and directly applying the principles and rules of Electrica's Code of Ethics and Professional Conduct.





There are two corporate structures that perform the management and supervision of the company's business: **The Shareholders' General Meeting** (setting the long-term strategic directions) and the **Board of Directors (BoD)** together with the executive management (responsible for taking and implementing the necessary measures for company activity performance).



Members of the Board of Directors as of 31 December 2020

The Board of Directors' activity is supported by the three advisory committees, namely, the Nomination and Remuneration Committee, the Audit and Risk Committee and the Strategy and Corporate Governance Committee, each consisting in three directors and chaired by one of them.

Nomination and Remuneration Committee:
Mr. Bogdan George Iliescu – Chair
Mr. Valentin Radu – member
Mr. Gicu Iorga – member

Audit and Risk Committee:
Ms. Ramona Ungur – Chair
Mr. Bogdan Iliescu – member
Mr. Cristian Bosoanca – member

Strategy and Corporate Governance Committee:
Mr. Dragoș Andrei – Chair
Mr. Radu Florescu – member
Mr. Valentin Radu – member



SHARE EVOLUTION

Between 4 July 2014 (the company listing date) and 31 December 2020, the shares of Electrica recorded an aggregate return (together with dividends) of 55%.

ELSA continues to provide investors with a steady rate of return, from 5.2% to 7.3% per year.

Price volatility has increased compared to the previous year, but Electrica Group ranks among the top 3 companies in the Romanian energy sector providing the most stable adjusted price evolution.

Romgaz	0.4008
Transgaz	0.4852
Electrica	0.4870
OMV Petrom	0.5144
Transelectrica	0.5269
Nuclearelectrica	0.5394

DELEGATION OF AUTHORITY

During 2020, Electrica continued the steps previously initiated to ensure the application of delegated authority principles with the aim of streamlining approval processes, making Electrica's management workload more effective and creating multiple layers of accountability. Thus, the **Electrica Delegation Policy** has been updated, a document containing the principles of delegation of authority, responsibility and accountability.

Based on this policy, the Standard on Delegation of Authority has been reviewed, a document defining the manner and mechanisms by which authorities are delegated and implemented within Electrica. Its most recent update is from August 2020. The Delegation of Authority outlines the process of delegating authority for economic, environmental and social topics. This supplements Electrica's Organization and Operation Regulations, which set out the competencies and duties regarding the environmental, social and economic matters of the organizational entities' activities.

REMUNERATION POLICY

The remuneration policy describes the main pillars of remuneration, as well as the financial and non-financial terms, conditions and benefits approved by the company's corporate bodies. The policy is reviewed periodically, at least every 4 years, by the Board of Directors with the support of the Nomination and Remuneration Committee (NRC) and submitted with the SGM for approval.

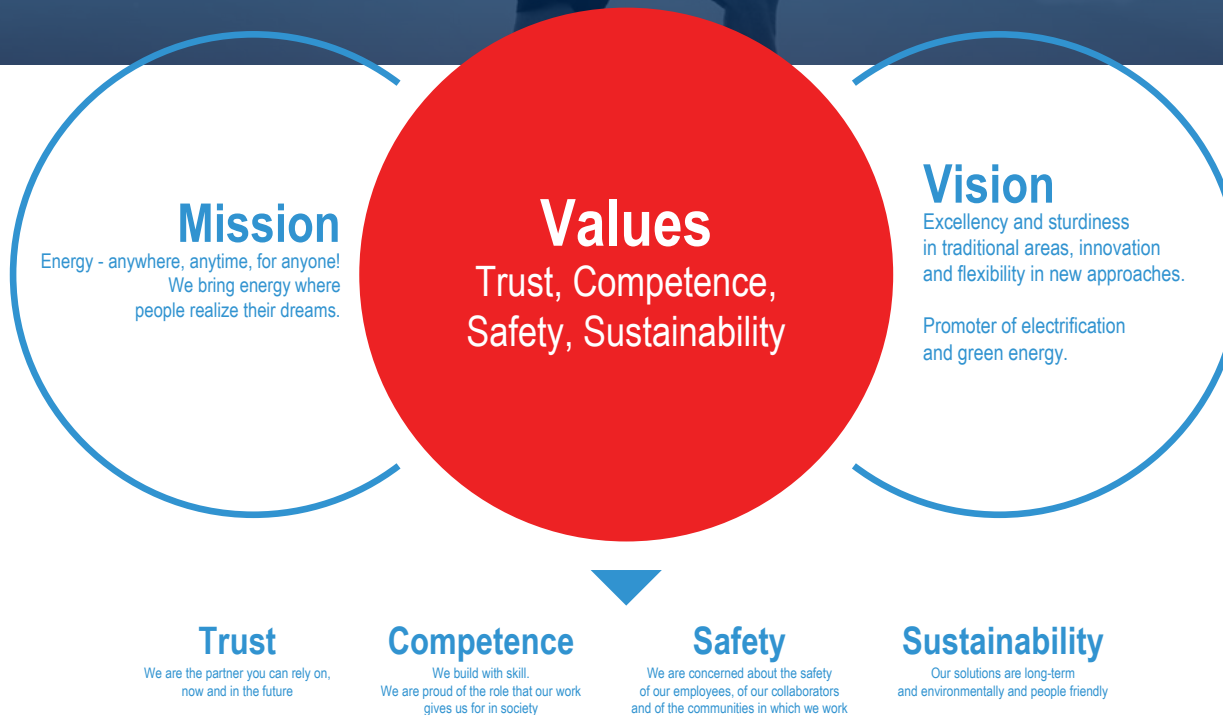
The purpose of this policy is to establish the remuneration principles and framework for Electrica's directors and executive managers under a mandate agreement, which to be followed while carrying out their activity, and also, to regulate the way their remuneration is granted. The policy supports the Company business strategy, as well as business sustainability and long-term interests, by establishing principles and application rules for the remuneration of the directors and executive manager, which would attract and retain professionals and ensure their proper motivation to meet the strategic objectives transposed.

The remuneration structure is defined separately for the BoD and the executive management.

The remuneration structure and thresholds are set taking into consideration the best practices and benchmarks applicable both at national and international levels, the remuneration system including a fixed component and a variable performance-based component. In addition, it also includes granting of non-financial benefits.

Vision, Mission, Strategy

Electrica Group's strategy for 2019-2023 is based on a set of values, embedded in all our operations, and defining the framework in which we want to operate, as well the world which we want to contribute to.



STRATEGY OF ELECTRICA IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

Adopting values and principles necessary to build a culture of ethics, integrity and sustainability at the level of all Electrica's Group companies is a fundamental condition for increasing the trust capital that the organization as a whole and the brand enjoys from all stakeholders. This process organizational culture change at Group level can only be achieved with the clear and definite commitment of the company's management, with everyone's support and involvement.

Electrica provides sustainable, people and environmentally friendly solutions

In line with the guidelines of the European Green Deal, Electrica Group aims at a sustainable development model

resulting in a decrease of the environmental impact, biodiversity protection, responsible waste management, social and economic development of communities.

Electrica encourages research and innovation with the aim of developing the necessary know-how to increase the quality and safety of its services for clients and partners, promoting a culture of responsibility based on ethical business, respect for consumer rights, social and economic equity, environmentally friendly technologies, fairness in labor relations, transparency towards public authorities, integrity and investment in the community.

The company is also constantly concerned with increasing the involvement of its employees, its representatives, trade unions, as well as of the parties external to the organization

(partners, consumers, investors) in the development and implementation of its social responsibility practices.

Electrica Group has made significant steps in implementing its strategy for 2019-2023:

Expanding into related areas and achieving synergies with the areas the Group operates in:

- Inorganic development - first acquisition performed in 2020; continued proactive M&A efforts, supported by external financing of up to RON 750 mil. (subject to the SGM approval);
- Organic development - continued efforts to develop the product and service portfolio for B2B and B2C segments, as well as the customer base; opening of new locations, especially in the context of energy market liberalization;

Improving operational performance in order to continuously increase the quality of the services provided to clients:

- Business model redesigning with three key projects - the effects of which are obvious starting 2021: merger of distribution companies (implemented effective 31.12.2020), merger of service companies (implemented effective 30.11.2020), transformation of the supply company (implementation completed in Q3 2020);
- A new IT&C strategy has been developed and is being implemented focusing on process digitalization;
- Group-wide LEAN implementation as an integral part of the continuously performance-oriented organizational culture;

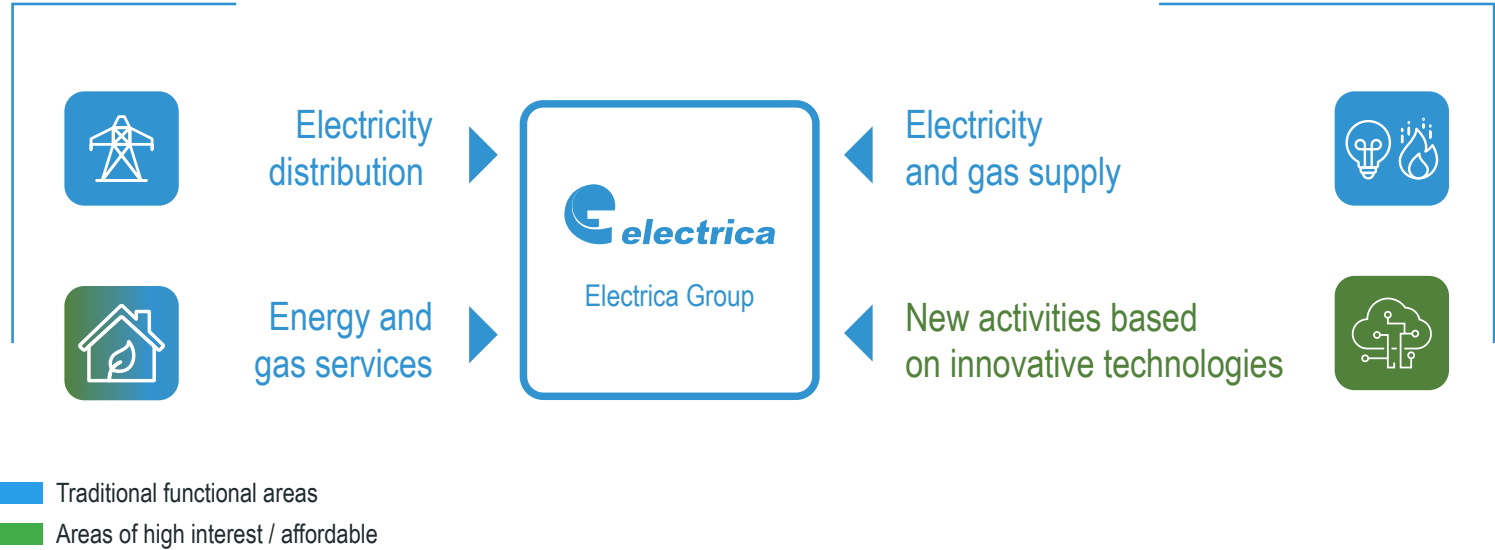
Continuing the investments for improving infrastructure reliability:

- Electrica Group continues investing in the modernization and development of the distribution networks, and the investments that will be supported from external financing, while continuing to seek financing opportunities;
- The smart metering development strategy is being implemented, with applications for external non-reimbursable funding being submitted for six projects under the 2014-2020 Large Infrastructure Operational Program (LIOP), and the Company plans to promote new projects under the Sustainable Development program;
- Continued investments in the modernization of client service centers (in distribution) and client relationship centers (in supply);

Increasing performance and strengthening the sustainability of economic results

- Electrica Group's client satisfaction - their loyalty being essential to ensure the sustainability of results - addressed through perception surveys and NPS, which place us on top of customer preferences nationwide;
- Ensuring human resources, training and attracting new skills - by approving a new HR strategy which is being implemented at Group level and addressing both the training of new resources for the future (through partnerships with educational establishments) and the development of existing ones, and the implementation of a performance management culture.

INORGANIC GROWTH OPPORTUNITIES



At the same time, IT&C plays a vital role in the implementation of our envisaged business objectives, such as accelerating digitalization or increasing operational efficiency.

In this context, beyond the digitalization of the processes and their integration into IT platforms, the development of smart grids, the integration of smart meters into the pace of their implementation plan, support for the operationalization of prosumers and other actions are foreseen on the distribution segment. On the supply area, the development of a client-friendly interface, the automation of contracting, reporting and invoicing processes and data exchange with all distributors in Romania are critical elements supported by the IT&C as a strategic partner.

We continuously believe and invest in innovative technologies within Electrica Group

- ▶ **BPM implementation – business process management**
- ▶ **RPA (Robotic Process Automation) automation / implementation**
- ▶ **Intensifying electric mobility initiatives**
- ▶ **Increasing client satisfaction by implementing friendly chatbot or equivalent interfaces**

IT&C STRATEGY AND PROCESSES

From a strategic perspective, the implementation of the new IT&C organization was initiated and completed in 2020. The responsible entities in each area took over their duties in a structure of centers of excellence geographically dispersed but functionally consolidated, under an unified leadership.

Beyond the process and technology alignment initiation, the main IT&C concern was to rapidly adapt to the new conditions caused by the pandemic and to provide the necessary means and capabilities for the work-at-home regime to all Group employees who have been converted to this kind of professional interaction.

In relation to the o extended functionalities and capabilities in each business area:

- 1 Within Electrica S.A., the main IT&C capabilities were migrated to the cloud, which provided extended mobility for the staff working from home. In addition, the concept of Printing As A Service was introduced having as a major effect a decrease in the consumable materials used for the printers and their control.
- 2 Within the three companies designated as distribution operators in 2020 (SDEETN, SDEETS and SDEEMN), the IT&C division acted as a pioneer in the unification and unitary control of IT&C processes, thus creating the necessary prerequisites for the legal fusion of the operators, which was performed at the end of the year. At the same time, it adapted, modified and created the IT&C systems that were necessary for the operation of DEER, within the established deadlines and specifications.
- 3 Within the supply company, the IT&C division responsible for the Supply business promoted and implemented the necessary measures to enable existing and future clients to interact digitally with the various departments, implementing accelerated digitalization and automation measures and preparing internal processes for energy market liberalization, with a major impact on the business model and the supply organization.
- 4 Within the energy services company, the IT&C responsible persons prepared and executed the specific operations of the merger by absorption process for the two legal entities (SEM and FISE) into a single one, thus minimizing the operational impact and allowing a smooth transition to the new structure.

During 2020, as part of the IT&C strategy, the preparation time needed for major technology consolidations planned to start in 2021 has already been allocated. Thus, IT&C system consolidation options and associated processes on each business segment have been analyzed, compared and assessed from the intrinsic business value perspective. The projects documentation and launch were confirmed for the first quarter of 2021.

ETHICS AND INTEGRITY

Ethics is a priority for the organization, as a preliminary requirement for the sustainable development of Electrica Group. As such, our long-term success is only possible if our business is based on a strategic orientation grounded on integrity, ethics and respect.

Zero tolerance policy against bribery, fraud, theft and other forms of corruption

Organizational culture centered on a strong sense of ethics

Medium term:

Development of a culture of ethics in Electrica Group, by moving from the reactive stage to the integrity stage

Reactive stage

Internalization of ethical standards and values of the organization
Understanding the role of ethics as a factor enhancing value
Ensuring a permanent internal control system involving all company staff

Integrity stage

Short term

ISO 37001 certification

ISO 37001 certification - the anti-corruption management system contributes to reducing bribery risks and at the same time ensures the existence of measures to protect stakeholders, as well as the use of good international practices
Contributes to the possibility of providing evidence that relieves the company of liability in the case of criminal investigations

Electrica performs its activity in compliance with the laws and regulations applicable in Romania and in any other country in which it operates. Electrica's staff has the obligation to act for the implementation of legal provisions, in accordance with their duties, observing professional ethics.

Electrica's concern for ethical and compliance issues is reflected in the policies developed over time: policies on anti-fraud and anti-corruption, money laundering, whistleblowing, avoidance of conflicts of interest, donation and sponsorship policies, grant policy, with the Group regularly assessing their implementation.

In 2020, the following policies were updated and communicated to the entire Group for implementation, for the purposes of getting aligned with the legislative changes, trends and best practices, but also in accordance with the new Strategy adopted at Group level:

- **Code of Ethics and Professional Conduct;**
- **Policy Regarding the Avoidance and Combating of the Conflicts of Interest;**
- **Policy on Transactions with Related Parties.**

The rules of conduct are mandatory for Electrica Group staff at all hierarchical levels of the organizational structure, as well as for staff seconded or delegated to its companies. The entire Electrica Group staff must acknowledge, understand and act in accordance with the Code of Ethics and Professional Conduct.

In the first part of 2020, Electrica carried out extensive work to inform employees about combating harassment at work and is currently working on a policy to prevent harassment and punish any form of harassment at work.

Subsequently, given the restrictions generated by the current pandemic crisis, activities were performed, exclusively through the employee information channel, to inform and raise staff awareness of the provisions of the compliance framework from an ethical perspective, as well as to monitor compliance with it by means of the organizational structures dedicated to ethics and compliance in place within the Group's companies.

At Electrica Group level, an organizational entity with responsibilities and competences in the field of ethics and compliance is set up and operationalized within each company. Its duties cover the implementation, updating and improvement of the Code of Ethics and Professional Conduct and the subsequent policies, as well as the development and implementation of monitoring

mechanisms for compliance with the commitments made by the company under the CCG.

The first steps have been taken for ISO 37001 certification - the anti-corruption management system, which contributes to the reduction of bribery risks and ensures that there are safeguards in place to protect stakeholders, as well as the use of international best practices.

In 2020, there were no grounded complaints about breaches of customer privacy and loss of customer data, nor reports of incidents of corruption or discrimination.

AVOIDING CONFLICTS OF INTEREST

In accordance with the Code of Ethics and Professional Conduct, the Group commits, through its Ethics and Compliance Department/Advisor, to ensuring that its business is conducted with integrity. The purpose of the Policy regarding the avoidance and combating of the conflicts of interests is to protect the company against ethical breaches, and any other issues of non-compliance that could harm its reputation-wise, commercially, and financially or could lead to legal sanctions, reducing the company's prestige and profitability, on both short and long term. Therefore, Electrica staff must avoid any situation involving or being likely to generate antagonism between the interests of the organization and their own interests, including known interests of spouses, ascendants, descendants, relatives up to the fourth degree or third parties, while complying with the legal provisions and internal policies on conflict of interest.

Potential conflict of interest situations are constantly monitored by the Ethics and Compliance Department/Officer by means of an accurate mapping of the hierarchical relations.

PREVENTING CORRUPTION

Zero tolerance to corruption, fraud and money laundering

Upon hiring, all staff are provided with anti-corruption training and annual communications on the provisions of the compliance framework.

According to the Zero Tolerance to Corruption, Fraud and Money Laundering Policy, Electrica staff must not use the power of their position for purposes other than those related to the performance of their duties, with Electrica management having the obligation to continuously monitor the compliance with the provisions of this policy and to review it periodically.

During 2020, all Group employees were communicated the organization's anti-corruption policies and procedures, including to all Board members.

In 2020, the contractual clause continuing to inform business partners about the principles and provisions of the Code of Ethics was introduced in all signed contracts.

There were no confirmed incidents of corruption at Electrica Group level during the reporting period.

ANTI-COMPETITIVE PRACTICES

With a view to complying with the competition rules, Electrica Group adopted since 2017 the **Competition Compliance Guide**.

Electrica Group wishes to ensure that employees are aware of the relevant legislation and that they are trained to recognize any anti-competitive actions they may be involved in, either knowingly or unknowingly. Starting 2020, a dedicated competition compliance person was employed.



Main results of completed legal actions

One case file during the reported period was recorded in Court against the Competition Council, namely:

1. Case file 3889/2/2018, for cancellation of the Competition Council Decision no. 77/20 December 2017 and secondly, for decreasing the amount of the fine to the legal minimum level of 0.5% of Electrica's turnover, by re-individualizing the alleged anti-competitive action, and allowing and taking full advantage of all mitigating factors applicable to Electrica:

- By Decision no. 77/20 December 2017, the Company was fined with RON 10,800,984, accounting for 2.98% of the total turnover for the financial year 2016, for breaches of the provisions of Art. 5 (1) of the Competition Law 21/1996 and of Art. 101 (1) of the TFEU by several companies that marketed electricity meters and related metering equipment in Romania as part of supply contract awarding procedures between 27 November 2008 and 30 September 2015 and by Electrica, as the facilitator, between 24 November 2010 and 30 September 2015;
- The case file was settled on the substance on 25 February 2019, Bucharest Court of Appeal dismissing the action for annulment as ungrounded;
- Electrica filed a second appeal against the decision of the Bucharest Court of Appeal, recorded before the High Court of Cassation and Justice (ICCJ), with the hearing being set for 09 February 2022.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT RISKS AND OPPORTUNITIES

2020 involved further improvement and development of the risk management system, based on the best practices in the field. Among the most important assumptions underlying the identification of risks and opportunities in establishing the strategic directions for Electrica Group sustainable development we list:

- The energy mix in Romania is changing significantly, being strongly affected by the emergence of renewable energy sources, supplemented with an increase in the number of prosumers in the following years and different trends in electricity consumption;
- Romania remains committed to climate change and the implementation of the European Green Deal, which has the potential to significantly change the whole macroeconomic system and may lead to a review of the strategy in the coming period, depending on actual approaches to its implementation at local level;
- For the current regulatory period, the remuneration mechanism, the type of tariff and the way corrections are applied are subject to change and these key factors are taken into consideration in the strategic planning;
- The supply segment will be subject to repositioning in the short and medium term following the elimination of the regulated tariffs and the liberalization of the electricity market starting 1 January 2021;
- The potential impact of the changes to the legislative framework and its lack of predictability in the medium and short term, specifically regarding the prices and supply conditions for the residential clients currently benefiting from universal service;
- The financial markets will provide access to advantageous sources of financing to support companies' investment programs.

Some of the specific initiatives that focused on risk management activity during the reporting period at Electrica Group level include:

- The Risk Management Department made a substantial contribution to the development and monitoring of the implementation of the Group-wide resilience plan for activity management in the context of COVID-19;
- Update of the risk governance framework by adopting the risk management principles as part of the dedicated policies approved and implemented at the level of Electrica Group companies by amending the Corporate Governance Code of S.E. Electrica S.A., in terms of risk management responsibilities, and by approving the new Risk Management Procedure within S.E. Electrica S.A.;
- The transition from a three-lines-of-defense to a five-lines-of-defense approach to risk management: the first line refers to the business line coordinators with an operational role in identifying, assessing, treating and monitoring risks in their own business areas; the second line includes functions with clearly defined roles in controlling specific types of risks; the third line provides for the aggregation, monitoring and reporting of relevant information on the identified risks and is represented by the risk management function;

the fourth line is represented by the internal audit, which has as a role to validate the effectiveness and efficiency of the risk management system; and the fifth line is represented by external audit;

- Update of the specific risk management taxonomy: by determining and defining new categories of risks specific to the Group's activities, but also by redefining the quantitative and/or qualitative assessment scale that allows the identified risks to be classified and aggregated;
- Development of new specific approaches to the management of market and credit risk associated with electricity and natural gas supply and renewable electricity generation activities. In this regard, Electrica Furnizare branch completed the market risk management-dedicated project, developed the Manual on the guarantees for hedging the credit risk for the entire array of guarantee types as well as the procedures for guarantee analysis and evaluation. Also, procedures for the economic and financial analysis of counterparty risk and credit risk exposure assessment were been developed to ensure preventive credit risk control.
- Regular communication regarding group-wide risk management activities by workshops, training

sessions, online meetings and Risk Oversight Committees meetings at Group company level;

- Update of the plans of measures to control and address identified and assessed risks, and monitoring their implementation.

The mergers between the distribution and energy service companies also involved managing certain risks specific to such projects.

RISK MANAGEMENT PROCESS EFFECTIVENESS

Within Electrica Group, the highest level of governance in the review of the organization's risk management process effectiveness at the administrative level is represented by the Audit and Risk Committee within Electrica S.A. Board of Directors. The Audit and Risk Committee's responsibilities in relation to risk management matters include:

- regular review of the main risks which the Group is exposed to, recommending to the Council appropriate policies for identifying, mapping, managing and mitigating risks;
- making recommendations to the Board of Directors on capital and debt financing, including proposals to contract any type of borrowings and securities associated with such borrowings;
- monitoring of the main risk categories, which are recorded on annual basis in a management report with the aim to mitigating them and assessing the effectiveness of the risk management system within the Group;
- making recommendations to the Board of Directors on significant economic transactions devolving upon the Shareholders General Meeting and assessing the risks associated with such transactions.

Also, for each company within Electrica Group, there is a Risk Oversight Committee at executive management level consisting of the CEO, CFO and Risk Manager of each company, whose main purpose is to review the main risks faced by the Company and make recommendations on risk management matters.

SUPPLIERS

Our products are developed on and around electricity

The electricity produced from different sources (hydro, wind, photovoltaic, coal, hydrocarbons, nuclear, biomass) is delivered to end customers through the high voltage grid of the transmission and system operator CN Traselectrica S.A. and through the medium and low voltage grid of the area distribution operators.

The supply of electricity includes the contracting processes for end customers, contracting distribution services, invoicing, collection, information, taking over and resolving complaints / notifications / requests concerning the nature of the services provided.

In order to ensure the supply of electricity to customers in its portfolio, Electrica Furnizare carries out the following operations:

- purchase of electricity from OPCOM-centralized markets (PZU, PI, PC-OTC, PCCB-LE-Flex, PCCB-NC, PC-ESRE-CV);
- purchase of electricity under bilateral contracts signed directly with renewable producers with $P_i < 3\text{MW}$;
- contracts signing with network operators; sale of electricity to end clients.

For electricity suppliers, the service providers (suppliers) are:

- Traselectrica for transmission and system services;
- Area distribution operators for electricity distribution services;
- OMEPA for metering data aggregation at wholesale electricity market level;
- OPCOM for trading services on centralized electricity markets, green certificates and natural gas, balancing market settlement;
- Producers and other suppliers of electricity or natural gas for the purchase of electricity or natural gas;
- Utilities: water, communication, electricity;
- Supplies

SUPPLIER ASSESSMENT BASED ON SOCIAL AND ENVIRONMENTAL CRITERIA

At the end of 2020, both Electrica S.A. and Electrica SERV implemented an instruction regarding supplier assessment and management. Within Electrica Furnizare S.A., the instruction will be transformed into a procedure to be implemented by mid-2021.

The instruction regulates how the suppliers of products, services and works are assessed in terms of their provisions and contractual relations development, with a view to ensuring better management of the supplier base.

Supplier assessment begins upon initiation of the procurement procedure, making a pre-qualification of potential suppliers of products, services or works on the basis of the Pre-qualification Questionnaire and of the review of the assessment documents for previous provisions, if any.

Supplier pre-qualification and their assessment in terms of provisions against the contractual requirements are taken into consideration within ELSA as key elements for ensuring a well-functioning supply chain, allowing the documented processes and the Integrated Quality-Environment-OSH Management System to run effectively, sustainably and safely.

The objectives pursued through the supplier assessment and management are:

- ▶ **Establishing and maintaining long-term partnerships with the suppliers;**
- ▶ **Ensuring availability of the necessary products, services and works;**
- ▶ **Continuous improvement of the quality of products, services and works;**
- ▶ **Joint initiative to reduce energy and raw material consumption and negative environmental impacts;**
- ▶ **Sustainability along the entire value chain;**
- ▶ **Ensuring the occupational safety and health for contractor staff**

CERTIFICATIONS

We place major focus on issues of material importance both for the Group and its stakeholders. Therefore, to support our commitment to clients, employees and the environment, Electrica Group has implemented and certified integrated quality-environment-occupational health and safety management systems within its companies in accordance with SR EN ISO 9001:2015 “Quality management system”, SR EN ISO 14001:2015 “Environmental management system” and OHSAS 18001:2007/SR ISO 45001:2018 “Occupational health and safety management systems”.

2020 marked the completion of the migration of the Integrated Quality Environment Management Systems - SSO at the level of Electrica Group companies from the OHSAS 18001:2007 standard to the new SR ISO 45001:2018 standard.





AFFILIATIONS

For a Group such as Electrica, the responsibility towards society, clients, employees and business partners is extremely important. This is why we aim to make a major contribution to creating a sustainable business environment, together with our partners with whom we share similar values. Through Electrica's affiliation to various organizations and associations, the company has access to the associations' expertise in national and international best practices, while maintaining close cooperation with all major players in the energy sector.

The list of the main associations to which the Group was affiliated in 2020:

- **ACUE: Federation of Associations of Energy Utility Companies** - set up for representing, supporting and defending the interests of its members in the relations with public authorities, trade unions and other individuals and legal entities, both nationally and internationally, according to its Statutes and in accordance with legal provisions. The Federation also focuses its activities on developing, implementing and enforcing market competition rules. (Website: <https://www.acue.ro/>)
- **A-LST-R: Romanian Live Working Association** – a scientific and technical professional association. (Website: <http://www.smartsb.ro/alstr/>)
- **ARIR: Romanian Investors Relations Association** - the purpose of the Association is to provide to current and potential issuers a platform for the development of Investor Relations (IR) professionals and to contribute to the implementation of best practices in communicating with investors and corporate governance. (Website: <https://www.ir-romania.ro/>)
- **ASRO: National Standardization Body** – the national platform for the development and adoption of European and international standards. (Website: <https://www.asro.ro/>)
- **CIGRE: International Council on Large Electric Systems** - a Paris-based association whose main objective is to develop and facilitate the exchange of knowledge and information in the field of electricity systems (Website: <https://www.cigre.org/>)
- **CIREN (Congrès International des Réseaux Electriques de Distribution)** - the most important International Conference and Exhibition in the field of electricity distribution. It is the main forum that brings together the international electricity distribution community every two years. The Chairman of the Romanian CIREN-Affiliated Committee is the Managing Director of Electrica, the company where the work of the Committee is coordinated and performed. (Website: <http://www.cired.net/>)

- **CNR CIGRE: CIGRE Romanian National Committee** - affiliated to the International Council on Large Electric Systems - CIGRE, based in Paris - an organization aiming to develop, promote and disseminate technical and scientific knowledge in the field of electricity generation, transmission and distribution, in line with the objectives of the International Council on Large Electric Systems. (Website: <https://www.cigre.org.ro/>)
- **CNR-CME: Romanian National Committee of the World Energy Council Association** - one of the founding members of the World Energy Council organization, has made over the years substantial contributions in the development of the energy policy in our country and in promoting the Romanian interests abroad. (Website: <http://cnr-cme.ro/>)
- **CRE: Romanian Energy Center** – a professional organization having as main purpose to represent the interests of the entities operating in the Romanian energy sector (electricity, natural gas, oil, water, nuclear, coal, renewables and R&D) before the national and European institutions, as well as other relevant international institutions and energy organizations, especially based in Brussels. (Website: <http://www.crenerg.org/>)
- **EURELECTRIC: Electricity Industry Union** - the industry association representing the common interests of the electricity industry at a pan-European level. (Website: <https://www.eurelectric.org/>)
- **IRE: Romanian National Institute for the Study of the Development and Use of Energy Sources** - Romania's representative in Eurelectric - the partner of the public authorities and the energy industry when discussing and promoting the reform of the sector, as well as when defending Romania's interests in this field, at international level. (Website: <https://ire.ro/>)
- **SIER: Society of Power Engineers in Romania** - a professional, autonomous organization that actively contributes to increasing the role and efficiency of power engineers as part of the continued development of Romanian energy. (Website: <http://www.sier.ro/>)



03 Our Services

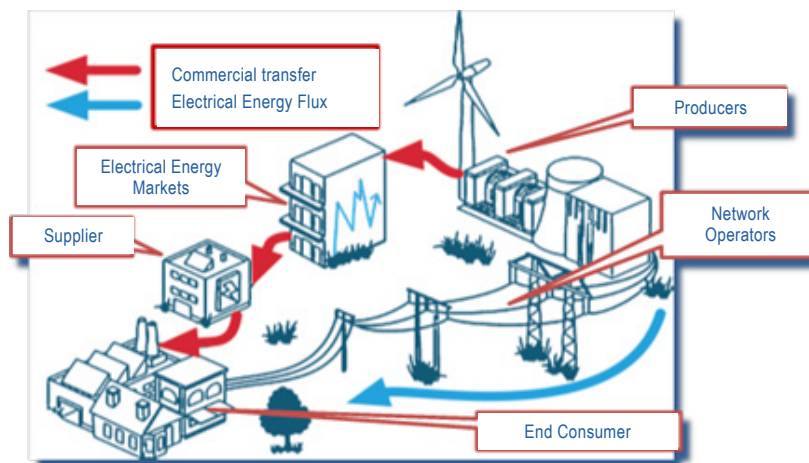
GRI: 102-3, 102-4, 102-6, 102-7, 102-9, 103-1, 103-2, 203-1, EU 6, EU 8, EU 12

Electrica Group is a key player on the electricity distribution and supply market in Romania, as well as one of the most important players in the energy services sector, being part of the national production-transmission-distribution-supply of electricity system.

The main activities of Electrica Group are the regulated distribution of electricity (through the operation and development of electricity distribution networks) and the supply of electricity to end consumers.

The Group is the electricity distribution operator and the main supplier of electricity in the Northern Transylvania, Southern Transylvania and Northern Muntenia regions, serving network users by operating facilities with voltages between 0.4 kV and 110 kV (electric lines, substations and transformer stations).

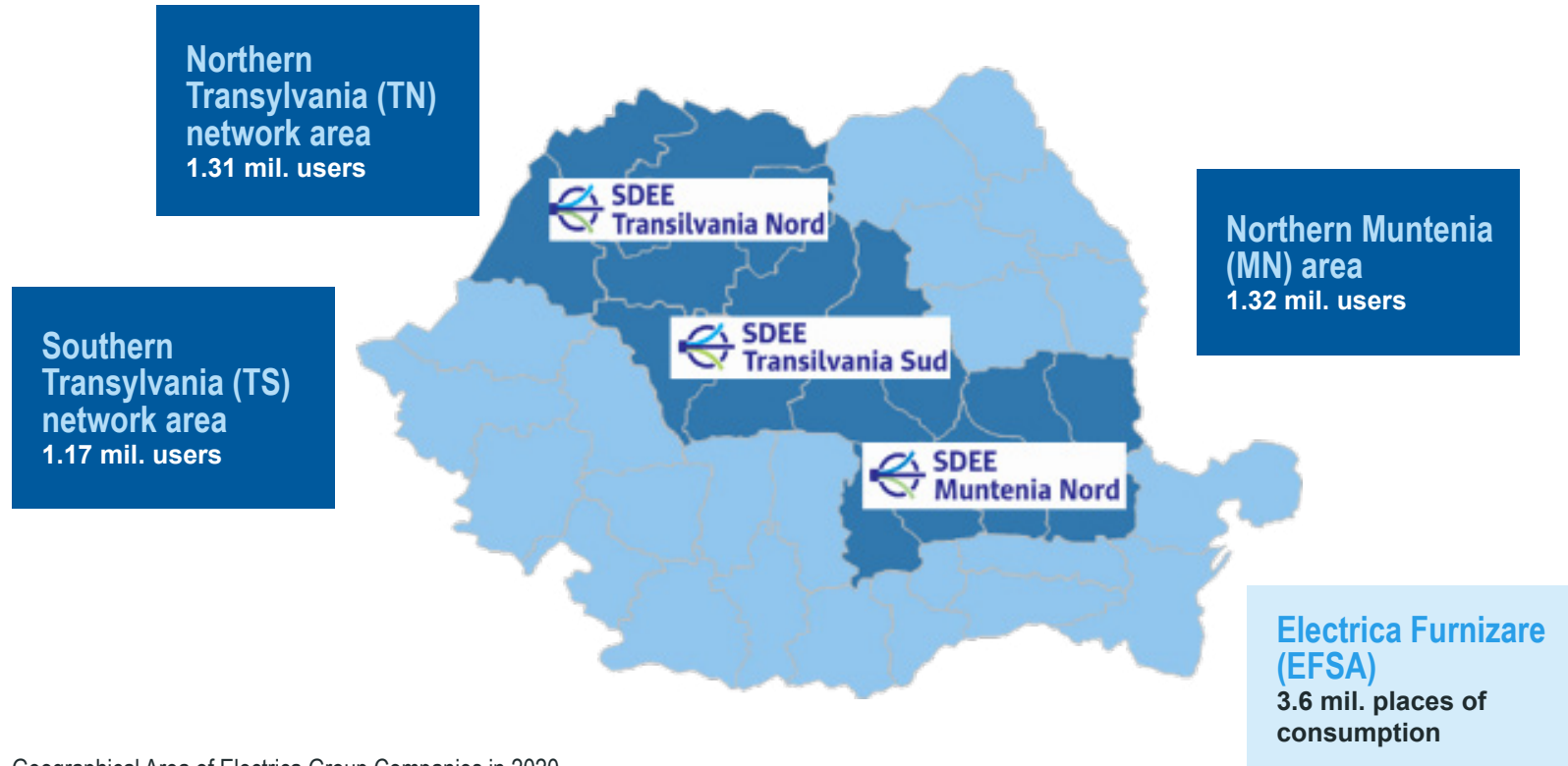
In the physical flow of electricity in the National Energy System (SEN), which includes all facilities for generation (producers), transmission (Transelectrica), distribution (licensee Distribution Operators) and consumption (end users), Electrica Group ensures the proper conduct of **the distribution of electricity** through its branches SDTN, SDTS, SDMN and SERV and, starting 1 January 2021, through the activity of DEER (with the network areas of Northern Transylvania, Southern Transylvania and Northern Muntenia) and SERV.



Producer-Distributor-Supplier-Client Chain

The acquisition and supply of electricity and natural gas to end consumers is performed through Electrica Furnizare (EFSA).

The **electricity production segment** is represented by Electrica Group branch EEV1, which owns a photovoltaic park in Stănești, Giurgiu County, with an installed capacity of 7.5 MW (operating capacity limited to 6.8 MW).



Geographical Area of Electrica Group Companies in 2020

Our contribution in 2020

~3.6 million places of consumption	19.25% total market share	9.3 TWh (+0.4%) supplied energy	5,015 bln. in revenues	265 bln. as EBITDA (+5.3%)	> 31% renewable electricity acquired and supplied
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SUPPLY ACTIVITY

Electrica is the largest supplier on the energy market, with the highest number of clients.

Electrica Furnizare (EFSA) ranks first among traditional electricity suppliers in terms of client recommendation, according to the “Customer Satisfaction” survey conducted by the ISRA Center in September 2020.

During the reference period, Electrica Furnizare served the national market in terms of electricity and natural gas supply on the competitive market, i.e. the energy services.

Regarding the regulated and last resort supply of electricity, as a supplier of

last resort (“SoLR”) on this market, Electrica Furnizare ensured the supply of electricity to regulated household clients, non-household clients supplied under the universal service regime, inactive non-household clients and the last resort supply, respectively, in the geographical areas served by the Group’s three distribution companies.

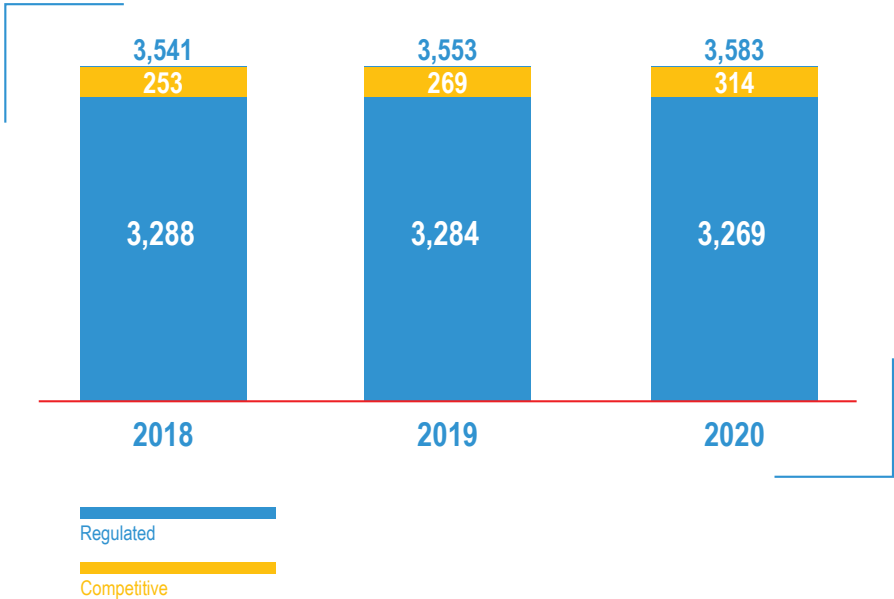
In 2020, EFSA became a leader on the electricity market, supplying 19.25% of national energy needs. At the same time, the company continued strengthening its position on the regulated market, where it held a share over 54% during the reporting period, up by about 3% compared to the prior year. On the competitive market, the share continued to be around 11%.



NUMBER OF EFSA CLIENTS

Year	No. of supply clients	Household	Small non-household (<100 kW)	Large non-household (≥100kW)
2020	3,582,502	3,358,140	214,689	9,673
2019	3,553,606	3,331,741	212,109	9,701
2018	3,540,681	3,322,405	209,570	8,706

NUMBER OF PLACES OF CONSUMPTION (THOUSANDS)



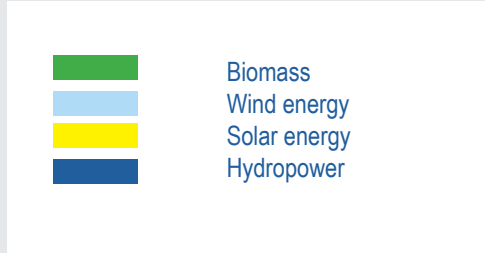
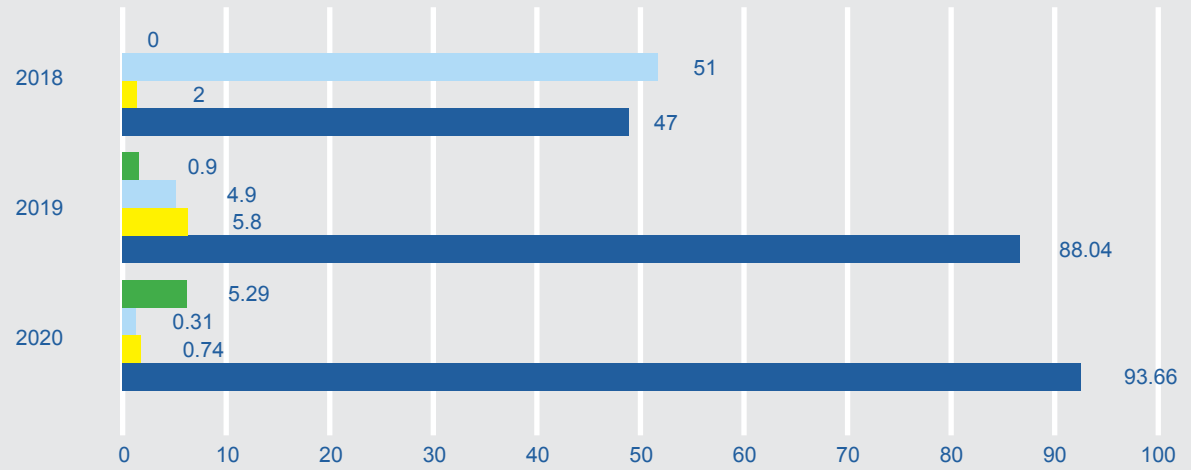


Electrica Furnizare served a total of 3,582,502 electricity clients during the reporting period, demonstrating, as every year, its important position on the national energy market. Out of these, 3,358,140 are household clients, 214,689 are small non-household clients (less than 100 kW installed capacity), and 9,673 are large non-household clients (at least 100 kW installed capacity).

On the natural gas market, Electrica Furnizare provided the natural gas supply service to 6,115 clients, out of which 4,557 household clients and 1,558 non-household clients, respectively.

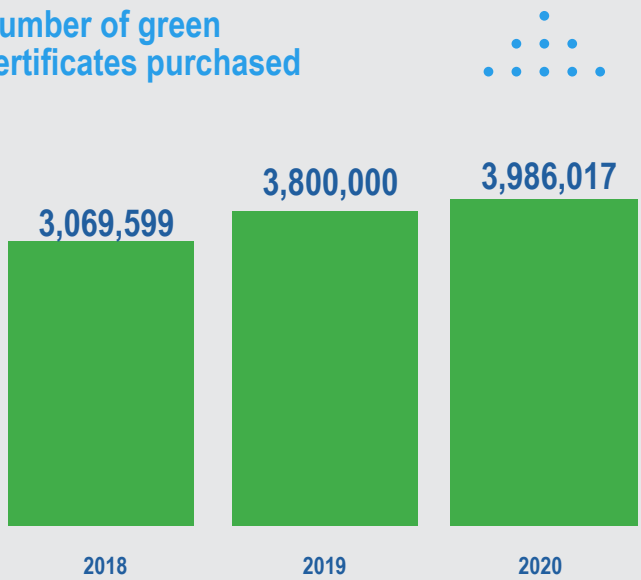
Electrica supports the production and use of green energy through the acquisition of electricity from renewable energy sources (RES) and the purchase of green certificates. As such, out of the total 9.29 TWh supplied in 2020, 2.94 TWh came from renewable sources. About 94% of RES is sourced from hydropower plants.

RES Acquisition per Types of Sources (%)



In 2020, 3,986,017 green certificates were purchased from hydro, wind, photovoltaic and biomass power producers, almost 5% more than in 2019.

Number of green certificates purchased



Electrica Furnizare is a supplier of electricity on the competitive market throughout Romania and a supplier of last resort (SoLR) at national level. Thus, EFSA has been designated by ANRE as a default SoLR for the areas served by Electrica Group distribution operators, and, starting 1 March 2019 is designated as an optional SoLR for the other areas of Romania. The capacities of default SoLR and optional SoLR were valid until 31 December 2020, namely, until elimination of the regulated rates for household clients. Starting 1 January 2021, with the liberalization of the electricity market, EFSA was designated by ANRE as the national SoLR, with universal service supply offers throughout Romania for both household and non-household clients.

Starting 1 April 2018, the Balance Responsible Party (BRP) activity and the related assets were transferred from ELSA to EFSA. At the end of 2020, around 98 licensed participants (eight suppliers, six distribution operators and 84 producers) transferred their responsibility to EFSA BRP, compared to the end of 2019, when around 107 licensed participants were enrolled in EFSA BRP.

In terms of the balance activity, the average number of clients in 2020 was around 97, or 1% lower than the average for 2019, and an average of over 300 bilateral contracts or exchanges with OPCOM, respectively, were notified.

OBJECTIVES AND STRATEGIC DIRECTIONS

We turn into a modern and efficient energy supplier with an extensive offer for energy solutions.

- ▶ Expanding the products and services portfolio
- ▶ Modernizing sale and customer interaction channels
- ▶ Optimizing the energy acquisition position
- ▶ Becoming a dual supplier of electricity and natural gas

Electrica Furnizare aims to continue being a modern and efficient energy supplier that places the needs of its customers at the heart of its activities, providing a diversified portfolio of customized products and services as well as a wide range of energy solutions.

EFSA's development strategy, based on the goal to continuously improve the quality of customer services, is carried out under the umbrella of the Group's 2019-2023 strategy. Key points of the strategy cover quality of the services for household clients who continue to choose the universal service or a free market offering, competitive prices or diversified services that are in line with the requirements of an increasingly sophisticated client in terms of expectations from a service provider.

“Together” Package
Supply of bundled electricity and natural gas

Electrica 3-in-1 Package
Electricity, Emergency Technical Assistance,
Property Insurance

At the same time, in 2020, we focused our efforts on increasing the profitability of our client portfolio through the development of specific measures to increase customer satisfaction, through portfolio restructuring and competitive and dynamic procurement strategies in the context of a volatile and unpredictable energy market. Also, the traditional electricity supply offer has been complemented by combined electricity, gas and value-added services packages.



KEY PROJECTS

During 2020, EFSA continued implementing processes for redefining and adapting to the current challenges of the energy market by optimizing and rethinking its activities in order to be able to provide the company's customers with services at the highest professional level. Thus, in 2020, EFSA continued its efforts to transform internal processes in the sales and customer relations areas with a focus on digitalization and informatization.

In a first stage, the project focused on developing the sales strategy. In the second stage, the focus was on improving internal processes, systems and technology and, naturally, on modernizing organizational structures.

SIGNIFICANT CHANGES WITHIN ELECTRICA FURNIZARE

In 2020, a subsidiary of Electrica Furnizare was established in the Republic of Moldova. Also, during the reference period, the working points were reorganized through grouping and dissolution of existing points, resulting in a total of 113 working points by the end of 2020.



Distribution Activity

- The distribution activity is an important pillar of the national system, Electrica being the largest distribution network operator.

Our contribution in 2020

200,146 km of power lines (+1,158 km compared to 2019)	18 counties in three geographical areas of the country	624 mil. RON as EBITDA (+2.7%)	3.8 million users
97,196 km ² of coverage area	2,751 mil. RON in revenues	17.48 TWh of distributed electricity (-1.4%)	

Following the merger as at the end of 2020, Distribuție Energie Electrică România S.A. (DEER) becomes the largest distribution network operator, serving 40.7% of Romania, namely:

- Northern Transylvania (Cluj, Maramureș, Satu Mare, Sălaj, Bihor and Bistrița-Năsăud Counties)
- Southern Transylvania (Brașov, Alba, Sibiu, Mureș, Harghita and Covasna Counties)
- Northern Muntenia (Prahova, Buzău, Dâmbovița, Brăila, Galați and Vrancea Counties).

Our priorities on the distribution segment:

- cost efficiency;
- accelerating the digitization of core business processes;
- focusing on the smart grid concept by promoting smart metering on a large scale;
- improving operational performance;
- increasing the distribution service quality;
- reducing losses in distribution networks.

POWER LINE NETWORK (KM)



	Power line type	2020	2019	2018
	High voltage (HV)	7,601	7,598	7,595
	Medium voltage (MV)	46,273	46,062	45,755
	Low voltage (LV)	146,272	145,328	144,596
	TOTAL	200,146	198,988	197,946

GENERAL PRESENTATION OF ELECTRICA GROUP DISTRIBUTION SECTOR

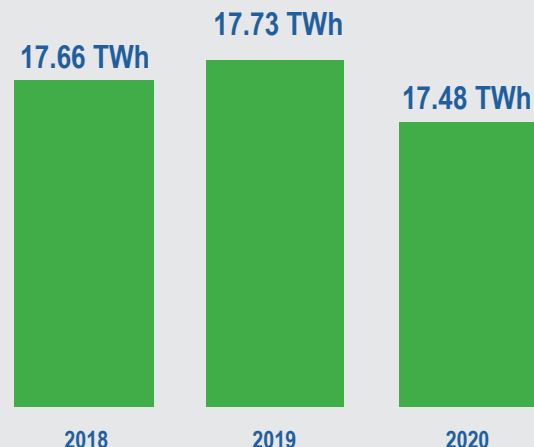
		2020	2019	2018
	No. of network km	200,146	198,988	197,946
	No. of end users served	3.8 million	3.7 million	3.8 million



The energy taken from producers, either directly or via the national transmission network, is further distributed to the approximately 3.8 million end users through the high-voltage (110 kV), medium-voltage and low-voltage networks managed by the distribution company.

In 2020, Electrica distributed a total 17.48 TWh of electricity, less than in 2019 (17.73 TWh) and 2018 (17.66 TWh), in the framework of the decrease in electricity consumption in the context of the COVID-19 pandemic.

Distributed energy



OBJECTIVES AND STRATEGIC DIRECTIONS

We remain committed to improving the quality of distribution service provided to clients and promote innovation in network development, energy efficiency and green energy in order to meet the demands of customers in the communities where we operate.

The strategic directions of Distribuție Energie Electrică Romania, necessary to achieve the Group's mission and vision are:

- ▶ Improving operational performance in order to continuously increase the quality of the services provided;
- ▶ Continuing investments to modernize networks, improve infrastructure reliability, automation and implementation of the Smart Metering and Smart Grid technologies;
- ▶ Increasing performance and strengthening the sustainability of economic results;
- ▶ Improving safety at work and employee performance.

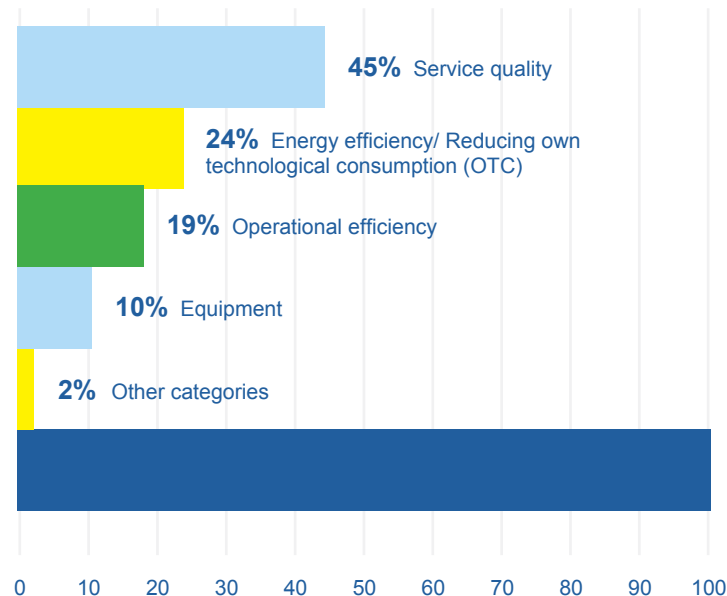


INVESTMENTS

Because ensuring the functioning of the public electricity distribution network in a qualitative, stable, safe and continuous manner was even more important in a pandemic year, we continued to invest in the distribution infrastructure in 2020. Thus, during the reporting period, the three distribution companies of Electrica Group managed to invest a record amount RON 609.2 mil. for the modernization and retrofitting of the electricity distribution networks.

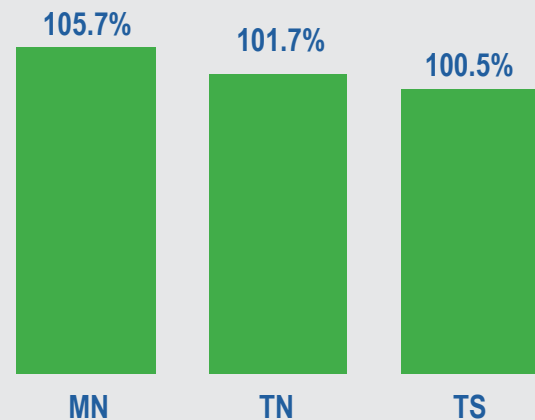
From 2014 to date, Electrica Group invested approximately RON 4.2 billion to modernize and develop the distribution infrastructure, therefore contributing to the sustainable development of the business.

Investment Distribution in Electrica Group Distribution Sector in 2020 (RON mil.)



With a Regulated Asset Base of RON 5.8 billion, in 2020, the achievement percentage for the investment plan was 102.7%

Achievement Percentage for the Investment Plan in 2020



The main objectives targeted under the 2020 investment program were:

→ **Improving the distribution service quality and increasing operational efficiency through:**

- Automation of the distribution by integrating the installations into SCADA, SAD, DMS;
- Process digitalization and user experience improvement;
- Modernizing equipment in transformer stations and in the medium-voltage network;
- Modernizing medium and low-voltage networks.

Ensuring access to electricity for all users - extension and strengthening of distribution networks to ensure the connection conditions for consumers, prosumers and energy producers;

Increasing energy efficiency (reducing own technological consumption) by introducing equipment with reduced own losses, higher operating efficiencies and minimal environmental impact, switching networks currently operating at 6 kV to 20 kV;

Promoting smart metering - Both for 2020 and for the following years, the distribution operators of Electrica Group/Distribuție Energie Electrică România (DEER) undertook a plan to install smart meters in accordance with the program approved by ANRE at national level for each network area.

Investment lines	Amount (RON mil.)			
	MN	TN	TS	TOTAL (DEER)
Service quality	95.56	89.40	90.01	274.96
Energy efficiency/ Reducing own technological consumption (OTC)	52.50	26.40	66.10	145.00
Operational efficiency	38.16	55.90	23.69	117.76
Equipment	20.09	17.00	22.28	59.37
Other categories	8.40	1.50	2.20	12.10
TOTAL	214.70	190.20	204.29	609.19

Investments Made by Electrica Group Distribution Operators in 2020 [RON mil.]

Electrica is also running an intensive program to improve the quality of services provided to its clients. As part of this comprehensive development program, intelligent measuring data management, asset management and network mapping information systems will be implemented at the level of the distribution companies.

As such, in terms of the transition to smart grids, Electrica Group's distribution operators have made progress in the implementing smart metering systems, replacing 99,606 meters in 2020, more than 45% compared to 2019.

SMI Implementation

	2020	2019
MN	50,539	13,091
TN	21,300	13,661
TS	27,767	27,267
TOTAL	99,606	54,019

Some of our investment projects achieved in 2020 are shown below:

→ Modernization and SCADA integration in the Sătuc 110/20kV transformer station, Locality of Sătuc, Commune of Berca, Buzău County



The 110/20kV transformer station in Sătuc was commissioned in 1975 and serves both industrial and household consumers in the Northern area of Buzău County. Considering the wear and tear of the electrical power equipment and the development of the area served which implies an increase in electricity consumption, it was necessary to modernize the transformer station so as to ensure safety standards in operation and increased efficiency in electricity supply to consumers.

The work was completed in December 2020, 28 months after implementation, and the investment amounted to RON 9,176,413.10. Through the modernization of the station and integration into SCADA, a reduction in maintenance costs from RON 201,840/year to RON 76,723/year was achieved.

→ Modernization of the Nadăș 110/20/10 kV station, Cluj County



The Nadăș 110/20/10kV transformer station in Cluj County was commissioned in 1978. It is a 110kV loop station between Mănăștur and Baciș stations. This station supplies household, commercial and industrial consumers of the city of Cluj-Napoca, through 10 kV and 20kV electrical distribution networks.

4 110kV cells, 27 medium-voltage cells, own DC and AC services, station protection and automation equipment and integration of the new equipment into the SCADA system were modernized.

The investment was completed in August 2020, with an implementation period of 18 months, and the amount of the works was RON 8,211,085.

The economic efficiency indicators are as follows:

- **Investment return period: 7-8 years;**
- **Net present value (NPV): RON 507,000;**
- **Internal rate of return (IRR): 12.04%;**
- **Cost-benefit ratio (CBR): 1.79.**

Following the successful implementation of the Nadăș station modernization project, a reduction in the maintenance/operating expenses (RON/year) by 24.4%, from RON 124,643.19 to RON 93,028.19 was achieved.

The largest industrial consumers supplied from the Nadăș station are Tetarom 1 Industrial Park, Tefnofrig, IRUC and Tramway Depot. There are approximately 3,700 household consumers supplied from the station. As regards the impact on the community, please note that the station modernization works also aimed at improving the indicators for continuity in electricity supply to consumers in Baciș, Galaxiei area, by the subsequent construction of a 20 kV OHL/UEL and the creation of a new connection point.

→ Safety Increase at the Corunca 110/6kV station, Mureş County



The work for increasing the safety in the Corunca 110/6 kV station in Mureş County was completed in November 2020. Through this work, the impact on the community was as follows:

- ensuring the reserve of the medium-voltage busbars in the Livezeni 110/20 kV station;
- increasing safety of electricity supply to users;
- safeguarding the connection of new users, as Corunca is in continuous development.

The amount of the works carried out was RON 7,301,446.60, excluding VAT, and the implementation period of the investment project was 15 months. The following works were performed through this extensive project:

- Installation of 110/20kV - 25MVA transformer station;
- Installation of 110kV equipment related to the new transformer cell by extending the 110kV busbar;
- Installation of internal service transformers and suppression coils;
- Installation of 20kV connection, in metal casing;
- Replacement of protection, control, signaling and remote control system;
- SCADA system installation at station level, with its integration into the remote control system of SDEE Transilvania Sud;
- Performance of construction works for the new gear, hydrophobization of construction elements against the existing gear;
- Implementation of burglar alarm and fire alarm systems;
- Replacement of interior and exterior lighting system.


OPERATIONAL PERFORMANCE

As a leader on the energy market, Electrica Group is constantly striving to ensure unlimited access to the energy network for all requesters through sustained network expansion and voltage improvement programs. In this context, increasing operational performance is vital, leading to a positive impact on user experience, ensuring supply safety and continuity and to a high standard of interaction with Group staff. Therefore, in the distribution segment, the focus is on:

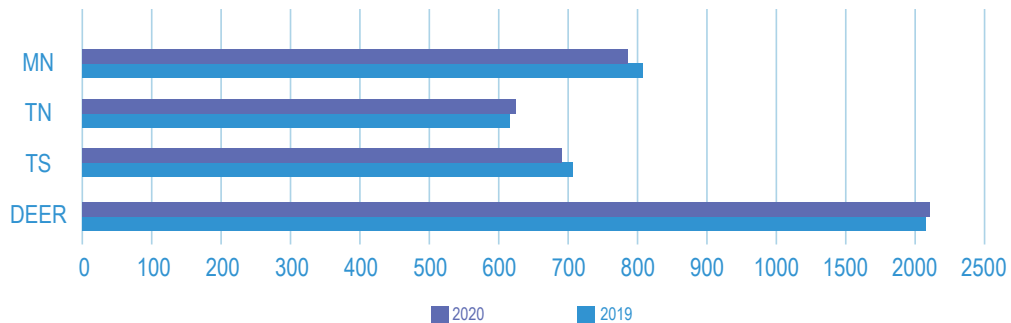
- ▶ **operational efficiency, by reducing technological and commercial losses;**
- ▶ **optimizing internal processes, ensuring an optimal level of the used resources;**
- ▶ **focusing on users and ensuring their satisfaction by improving network access and service quality;**
- ▶ **developing smart grid technologies and controlling costs.**

The performance and level of efficiency in the distribution segment can best be expressed by three core indicators:

- ▶ **Own technological consumption - OTC, consisting in energy losses related to the electricity distribution networks;**
- ▶ **Average duration of outages per client in one year - SAIDI**
- ▶ **Average number outages per client during one year - SAIFI.**

 The amount of technological losses per distribution area records an improved performance year-on-year, in line with the target values approved by ANRE. The main measures envisaged concern both the performance of specific investment works (removal of meters at the property boundary, installation of SMI, replacement of old transformer stations with new ones with reduced losses, construction of new injection points, etc.) in order to reduce technical losses and several measures aimed at reducing non-technical losses (cleaning of databases, replacement of metrologically outdated meters, raising awareness of metering groups, field inspections to identify unauthorized consumption, etc.).

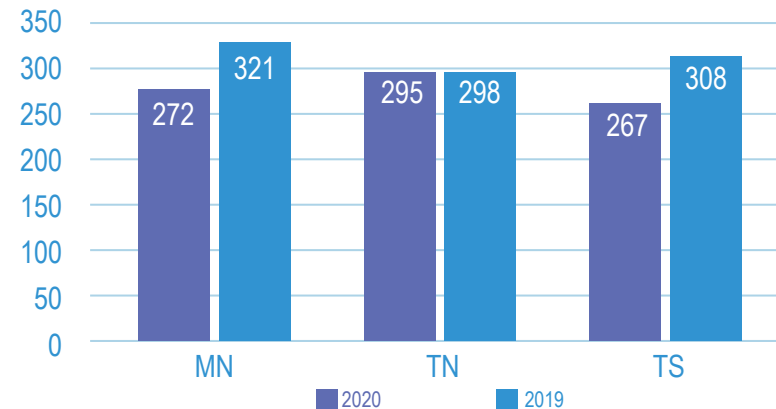
OTC Evolution in the 3 Electrica Distribution Companies [GWh]



The significant reduction in OTC compared to the prior year is the result of efforts to improve network quality. An improvement in OTC is recorded in 2020 compared to 2019, with a cumulative reduction of 42 GWh (TN: +6 GWh; TS: -35 GWh; MN: -13 GWh).

In terms of reductions in own technology consumption by voltage level, in 2020 compared to 2019, MN recorded reductions ranging from 0.20-0.26% for high and medium-voltage lines, TN 0.05% for medium-voltage lines, and TS 0.01-0.32% for high and low-voltage lines.

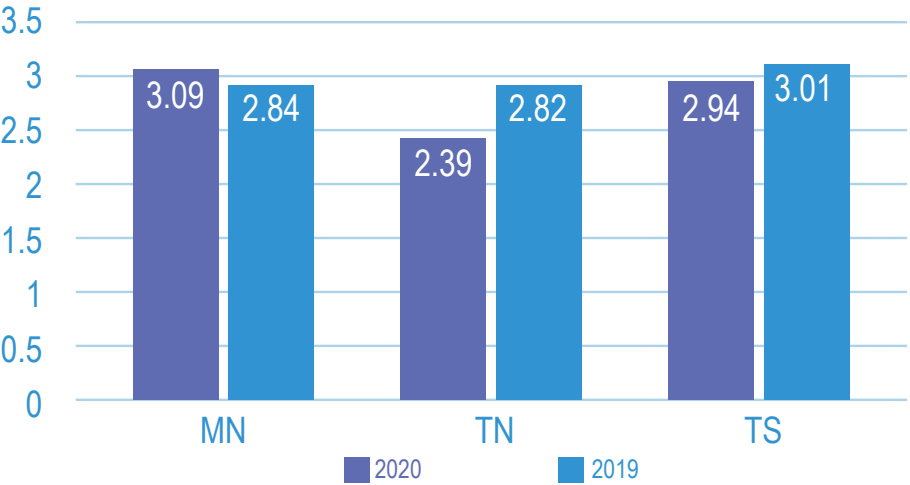
Overall SAIDI Evolution



Average duration of outages per client [min./year]

Each of the three distribution operators recorded performance better than the previous year, achieving a reduction of 49 minutes in SAIDI for SDEE MN, of 3 minutes for SDEE TN, and of 41 minutes for SDEE TS.

Overall SAIFI Evolution



Average number outages per client [outages/year]

A decreasing trend can also be noticed in the average number of annual interruptions (SAIFI) within two of the electricity distribution branches. As such, the distribution companies achieved in 2020 similar values to 2019, succeeding in improving their performance compared to prior years, with TS achieving a reduction of more than 2%, while SDEE TN reducing the SAIDI level by 15%. However, MN recorded a slight increase of almost 9%.

ENERGY SERVICES

Electrica Group's portfolio also includes the energy services segment (equipment maintenance, repairs and other additional services concerning the network, investment works), mainly carried out for distribution companies from the Group, but also for other distribution operators or other categories of clients.

On the energy service segment, in December 2019, the concerned strategy was reviewed, and a decision was made to develop a cost-optimized company for integrated energy services, with in-house capabilities and partnerships which to enable flexibility and promptness in offering a large range of services. Following the analysis carried out, the merger between Electrica Serv S.A. (SERV) and Servicii Energetice Muntenia (SEM) was considered the best option to integrate their activities and the merger process was completed on 30 November 2020.

The main benefits of the merger are improved commercial activity, organizational synergies, the presentation of an integrated service offering, reduced complexity of administrative and support services resulting in a more competitive offer, lower indirect costs, as well as the transfer of knowledge and the development of work execution capacity.

04 Innovation

GRI: 103-1, 103-2, EU 8

Electrica Group promotes technological innovation through participation in research and development projects financed/ co-financed from non-reimbursable European funds, having the opportunity to test the new technologies for energy efficiency management and optimization. Also, the electricity distribution networks integrate a high level of distributed generation sources.



Through participation in these research, development and innovation projects, Electrica Group has the following benefits:

- ▶ Access to state-of-the-art technologies in the field of electrical distribution networks (EDN) mode of operation optimization for connections of renewable energy production sources (either distributed or concentrated);
- ▶ Improved safety and reliability of insulated electric systems, improved quality of the energy supplied by making available quick affordable reserves through flexible charges;
- ▶ Ability to identify criteria for promoting smart networks such as smart grids and smart metering solutions in accordance with the requirements of the new measuring code on data protection and means of encryption;
- ▶ Use of the opportunities to develop the self-financing activity portfolio for Group companies;
- ▶ Development of new competences through the know-how transfer;
- ▶ Harmonization with best practices of similar European companies;
- ▶ Creation of new opportunities for Group companies to participate in European Union-funded projects.

Another important endeavor of Electrica Group for the promotion of technological innovation is the dissemination of the solutions for electrical grid modernization using the smart grid concept. The communications happen within the international conferences and symposiums Electrica Group attends or organizes internally with the aim of aligning the development plans with the available technological developments.



On 5 June 2020, under the aegis of IRE (Romanian National Institute for the Study of Planning and Use of Energy Sources), the Roundtable on Electric Energy (Smart) Metering discussions were held. This event was the first one on this kind that happened online and was organized by IRE together with SOFTWARE IMAGINATION & VISION SRL (SIMAVI), ELECTRICA S.A. Energy Company and UPB-MicroDERLab Group, as part of the dissemination of the inteGRIDy – “Integrated Smart GRID Cross-Functional Solutions for Optimized Synergetic Energy Distribution, Utilization Storage Technologies” European Project.



„INTEGRIDY” PROJECT

The **inteGRIDy Project** aims to achieve a platform for integrated service provision by distribution operators by means of smart metering systems, energy storage systems using electric vehicle charging stations, energy management systems in residential buildings, management systems for electrical distribution networks (EDN) with a high degree of distributed energy resources (DER), optimization of protection coordination, etc.

The project is aimed at developing solutions which to increase the network capacity to integrate renewable energy, reducing power outages and losses, increased overall flexibility and stability of networks, increased competitiveness of companies through the implementation of innovative services.

The project is based on four themes:



Demand response (DR)



Smart distribution grids



Energy storage



Electric vehicle (EV) smart integration

Electrica takes part in the performance and operation of a pilot project for demand response (DR) on a three residential building site located in Ploiești, which will be used for monitoring and demonstrating matters related to the Demand Side Management (DSM) and DR of the distribution network users and for the performance, together with another partner, of an ECDIS command and control platform that may be integrated with the current smart grid components.

Also, we take part in the integration of the DR smart meters and of the data concentrator units for the Ploiești site with the innovative simulation and control command platform for consumption nodes.

The pilot project in Ploiești develops, tests and validates the DR smart metering solutions – associated with analyses of DR-stimulating tariff options and the integration thereof on a platform including ECDIS (Electronic Chart Display and Information System – providing an analysis on the consumption and electricity production forecasts) software, which ensures interoperability with the inteGRIDy platform.

There are two major advantages from the implementation of the Ploiești Pilot:

- Minimizing the financial and technical risks for the distribution operators (OD) in energy management;
- Ensuring better forecast of the energy consumption and losses.

The analyses performed during the pilot will help us find solutions for:

- Energy consumption optimization;
- A better forecast of energy consumptions and losses;
- Process transparency and clear definition of the distribution operator's roles and responsibilities;
- Network behavior (efficiency and optimization) analysis;
- OD flexibility services: congestion management.

05 Our Financial Evolution

GRI: 102-7, 103-1, 103-2, 201-1, 203-1

Electrica Group is still one of the Romanian economy pillars, keeping its ambition to become a regional player in energy, in the framework of a culture of ethics, integrity and sustainability.

To ensure the economic development and long-term performance of the company, we believe in generating value in a sustainable manner, in which the increase in financial performance is supported by operational improvement, ensuring quality services and employee development.

Our contribution in 2020

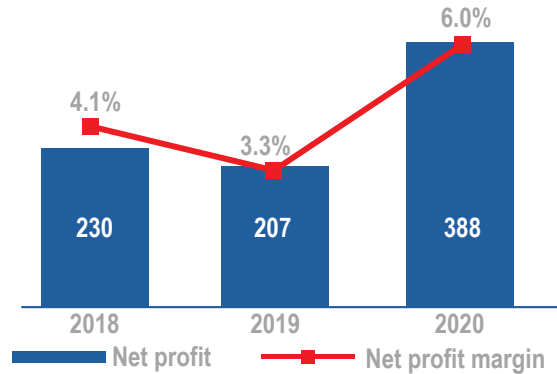
387.5	6,666.5	953	1.2
mil. RON net consolidated profit (+87.5%)	mil. RON consolidated revenues	mil. RON consolidated EBITDA	bn. RON payments to the State and local budgets

Through our Group strategic objectives, we intend to consolidate our position on the energy market, speeding up performance boosting, for the benefit of both clients, through diversification and improvement of provided services portfolio, and to shareholders, through steady long-term results. This way, Electrica Group continues to be dedicated to ensuring a balance between the value creation for customers and profit maximization for shareholders.

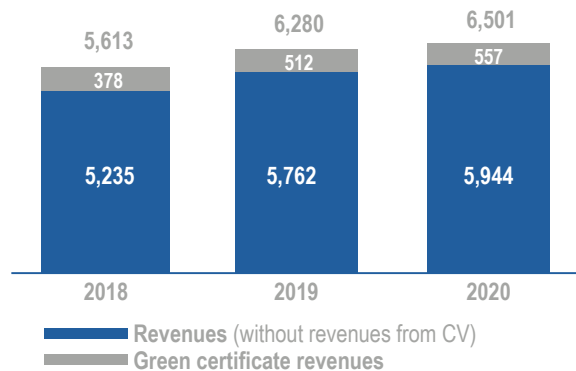
At the same time, we are constantly concerned with improving the quality of the services we provide, and we wish to maximize the economic performance and impact the company has on the national economy.

By strengthening these fundamentals, the Groups improves the financial position it holds in the Romanian economy, bringing a significant contribution to the development thereof, both directly – by maintaining and creating new jobs within the Groups and in the supply chain, and indirectly – by its contribution to the central and local budgets, and also, by the annual investments made.

Although the last period was marked by many challenges caused by the world health crisis, Electrica Group results have been in line with the expectations, and the budgeted profitability targets were met. Therefore, in 2020, Electrica succeeded in closing the year with net consolidated profit RON 387.5 million, RON 180.8 million or 87.5% higher compared to the prior year.



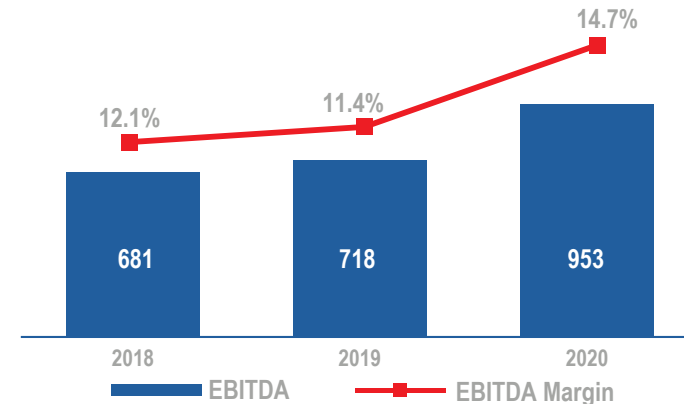
Also, the Group total revenues in 2020 reached RON 6,666.5 million (RON 6,501 million excluding other operating revenues), 3.5% higher than in 2019.



On the supply segment, the revenues were 5.2% higher in the context of a +2.8% evolution of the retail electricity sale prices, of an increase by 0.4% in the energy quantity provided on the retail market and also, of an increase in the green certificate revenues, the latter having a neutral impact on the supply margin.

In terms of the distribution segment, the revenues were 0.4% higher, mainly as an effect of an increase in distribution rates, therefore cancelling the negative effect of the decrease in the quantity of distributed electricity.

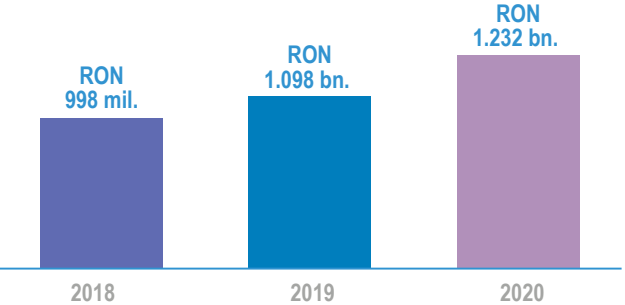
The consolidated EBITDA reached RON 953 million, RON 235 million higher than the amount of the prior year. The increase in EBITDA was mainly determined by the evolution of the supply segment in the framework of the recovery of electricity acquisition cost differences on the regulated supply segment and through the reversal of adjustments for doubtful receivables impairment at Group level, in an amount RON 105 million, after making VAT adjustments for Oltchim, a bankrupt debtor.



In terms of employee benefit expenses, these increased by RON 154.3 mil. during the reporting period, 24.9% higher than in the prior year, reaching RON 774.5 mil.

The profit tax expenses increased by RON 35.4 mil. in 2020, reaching RON 54.8 mil. a variation which is in line with the gross profit, and also, as a result of an effective income tax rate higher than in 2019.

During 2020, Electrica Group contributed with more than RON 1.2 bn. to the state and local budgets. Additional information can be found in the 2020 Electrica Group Annual Report (published on the website).

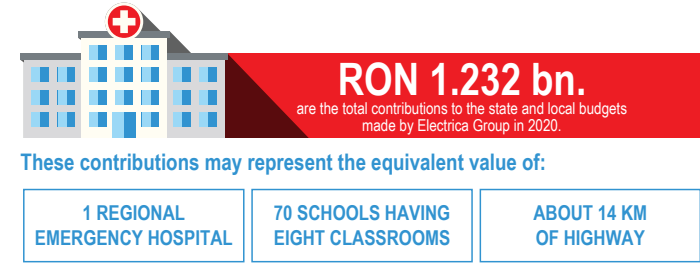


Payments to the State and local budgets

On 17 April 2020, the Fitch Ratings agency confirmed the BBB issuer cooperative rating (Investment Grade) for Electrica, awarded in September 2019, but it changed its outlook from Stable to Negative.

The change was made based on the review of the Romania's outlook rating from Stable to Negative, mainly because of the COVID-19 pandemic implications, taking into consideration that Fitch considers the Company rating needs to be limited at a level above that of its main shareholder, the Romanian State.

The confirmation of the BB rating continues to reflect the sound financial profile of Electrica Group, its appropriate liquidity, its low gearing ratio, and its leading position both in the distribution, and in the supply of electricity fields, on the regulated segment.



06 Caring for the Environment

GRI: 103-1, 103-2, 302-1, 304-1, 304-2, 306-2, 307-1

A healthy environment is a vital element in placing the economy and society on a sustainable path.

We are in a critical moment, when our planet faces challenges not seen before in terms of environment and climate, the threat to our wellbeing becoming more and more obvious.

In this framework, Electrica Group has understood that each company must initiate an integration process for its concerns about the environment, society, ethics, human rights, and for the consumer both in its commercial operations, but specifically, in its medium and long-term strategy, by working closely with all stakeholders, as also claimed by the European Commission. This involves a sustainable business approach, and this is why our concerns are aimed at meeting all the legitimate requirements and expectation of the stakeholders.

Pursuing on prior years practice for identifying and assessing all actual and potential environmental matters related to specific processes and which have either positive or negative impact, both under usual and unusual operating conditions and in emergency situations for each company, Electrica Group has defined and promoted its main concerns in order to increase environmental performance, as follows:

- ▶ **Reducing or limiting the environmental impact of services and infrastructure;**
- ▶ **Responsible waste management, safely disposing of the generated waste and especially of highly polluting waste;**
- ▶ **Preserving biodiversity and resources.**



WE INVEST IN THE PROTECTION OF THE FUTURE

Compliance with the national and European environmental regulations is a permanent core concern of Electrica Group companies' management. Therefore, the (legal and regulatory) compliance obligations applicable for Electrica Group companies in terms of environmental protection are determined on a regular basis by the employees with specific responsibilities, determining also the domains / areas of applicability at the level of each company.

In 2020, Electrica Group invested in the environment protection field more than RON 14.36 mil., an increase by almost 23% compared to 2019.

Based on this determination, the compliance with these environmental obligations is subsequently assessed annually for each Group company, this being an input for the management analysis made for establishing, as appropriate, measures aimed at increasing compliance.

The compliance assessment outcome for each Group company and, if any, the resulting measures, are communicated to the entire company staff, in order to acknowledge the level of compliance with the legal requirements and not only that, and to raise awareness of the role played for the improvement thereof.

Climate Change and Energy Transition

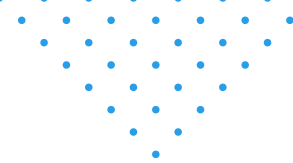
EUROPE - THE FIRST CARBON-NEUTRAL CONTINENT

To face the global climate change challenges in the framework of the priority goals set by the European Green Deal, Electrica Group supports the need for transition to a new business model and a sustainable development strategy, which to confirm our contribution to the European Union becoming the first climate-neutral economy before 2050.

OUR CONTRIBUTION IN 2020		
Purchased a photovoltaic park with a production capacity of 7.5 MW	12% decrease in the energy consumption through direct use of fuels and fuel oils (vs. 2019)	
40% increase in electronic invoicing compared to 2019	More than 31% green energy supplied (+19%)	585 prosumers

OUR COMMITMENT IN THE CONTEXT OF THE TRANSITION TO A GREEN ECONOMY

- Optimizing own resource and energy consumptions;
- Responsible waste management, safe disposal of the generated waste and increasing the percentage of recycled and recovered waste;
- Raising consumer awareness on the energy efficiency achieving measures;
- Encouraging small-size renewable energy producers
- Preserving biodiversity and natural resources; reducing activity pressure on species and habitats protected at national and international levels.



OUR APPROACH

In 2020, Electrica purchased the photovoltaic park in Stănești, entering the renewable energy production market

Electrica Group takes into consideration the changes in the external environment, including the climate changes, and adapts its development plans to respond to new challenges. Our strategy aims at expanding the activities in the green energy production area, which translated in 2020 in the purchase of a photovoltaic park with a production capacity of 7.5 MW in the Giurgiu County. Also, the company constantly assesses the acquisition opportunities available in the renewable energy production field and plans to build its own renewable energy production and storing capacities in the following years. On a long-term, this type of investments will contribute to the reduction in greenhouse gas emissions and to the economical and social development of the communities by creating jobs and hiring highly qualified staff in the impact area, following the application of the new technologies.

Another important matter of Electrica Group energy transition is the modernization of the networks and their preparation for future transformations. The increase in energy efficiency is an objective of the distribution area and translates into concrete initiatives and projects covering modernization and automation, installation of photovoltaic panels in transformation stations, set-up of new stations and installation of intelligent metering systems at consumer's site. The main expected benefits are to ensure the takeover and distribution capacity for the produced renewable energy, to reduce

own technological consumption, to reduce maintenance costs and consumptions for the transportation of maintenance-related equipment and materials and, therefore the quantities of greenhouse gas emissions.

Electrica Group encourages the renewable energy production by supporting prosumers and, as such, for the purposes of obtaining the connection certificate, Electrica supports the clients who wish to become prosumers by providing a guide available on the website of its distribution companies. The number of prosumers injecting the excess energy into the distribution network managed by Electrica operators increases year on year, and in 2020 it reached a total 585 prosumers.

Through successive campaigns, Electrica Group has implemented the electronic invoicing system, encouraging its consumer to select this option instead of the printed invoice, therefore contributing to the protection of the environment. Compared to the prior year, in 2020, the percentage of electronic invoicing increased by 40%.



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MODERNIZATION OF THERMAL POWER STATIONS

Moreover, in the context of the new focus on energy efficiency, the implementation of a measure for the modernization of the thermal power stations has been considered appropriate within the Group distribution operators. The measure provides for the replacement of old heating systems with low efficiency from different locations of electricity distribution branches (DEER) with new ones, with higher performance in terms of energy efficiency. The investment will be performed until the end of 2021 and will have positive results for ten years.

INTEGRATED MANAGEMENT

The Group companies maintained in 2020 the certifications for their own Integrated Management Systems for Quality – Environment – Occupational Health and Safety, through which they are managed in a responsible and efficient manner including the environmental aspects specific to the core-business and support processes.

Preserving Biodiversity



The increasing pressure on the species and natural habitats by the economic boom from the industrial era has led to the extinction of a large number of species of plants and animals, to the degradation of most ecosystems and to the reduction in their capacity to regenerate. All these have a major negative impact on the sustainable economic development, and the decision-makers have started establishing policies focused on ecosystem preservation and restoration, especially by designating protected natural areas and establishing concrete protection measures at local, national and European levels.

Our contribution in 2020

Investment of RON 3 mil. in projects for biodiversity protection	187 stork nests installed on overhead power lines (OHL) poles (a total 2,732 nests)	101 electrical insulating sheaths (a total 4,190 sheaths)
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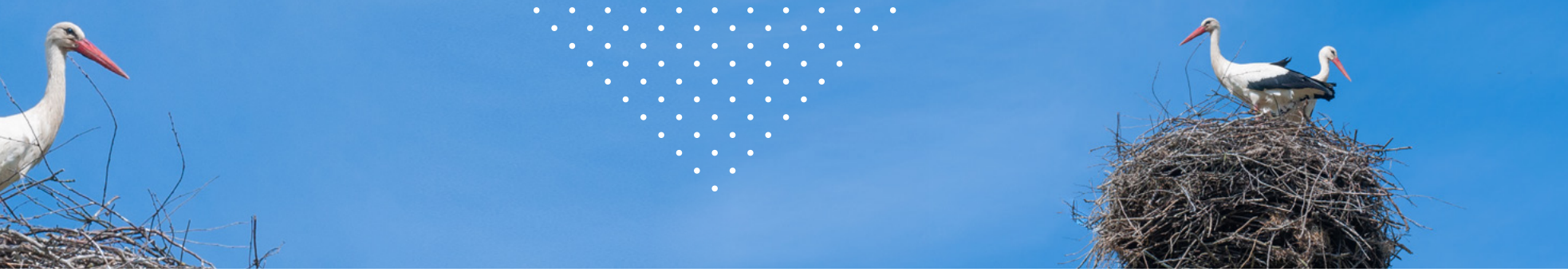
OUR APPROACH

Preserving biodiversity and reducing the effects of Group activities or assets on the flora and fauna, has been a priority course of action for 2020, the amount allocated by Electrica Group in this regard being about RON 3 mil., the same as in 2019.

During the reporting period, Electrica Group distribution operators, whose specific activity has an impact on biodiversity, continued implementing practices and solutions harmonized with the environmental protection rules and the sustainable development principles with a view to reducing the impact and protecting biodiversity.

To this effect, during 2020, Electrica Group distribution companies implemented various measures mainly concerning the networks around the protected areas the and Natura 2000 sites, as well as those crossing areas of high biodiversity value, such as the installation of electrical insulating sheaths to protects the birds, the installation of bird nests (storks) on low and medium voltage lines, the modernization of the networks by replacing classic uninsulated conductors with twisted (insulated) conductors.

The priority areas for environmental risk reduction and the measures for reducing the impact on the affected bird species have been identified as part of a specialized study conducted with the Milvus Group - Bird and Nature Protection Association, thereby providing a high level of trust and transparency in terms of the preservation measures considered by Electrica.



However, the impact of the electricity distribution activity continues to be low and within the accepted limits. The surface of the affected areas is approximately 19 km², with the time of the impact on the birds and vegetation being corresponding to the overhead electric lines exploitation time.

The affected bird species mainly include the white stork, whose exposure is increased due to the wingspan, which makes possible the connection between the line phases and short-circuits. Other species that may be affected, but to a lower extent, are the sterling, the common magpie, the sparrow hawk, the Danube falcon, the lesser spotted eagle.














**MEASURES TAKEN INTO CONSIDERATION
EXCLUSIVELY FOR BIODIVERSITY PROTECTION**

Because overhead power lines (OHL) with classic conductor (uninsulated) are one of the important risk factors for the bird species referred to above, possibly triggering their electric shock, as part of the investment projects conducted, one of the main measures targeted by Electrica was to restrict the number of lines provided with this type of conductors, and replace them with twisted (insulated) ones. Where such investments were not made, in order to protect all species of birds affected, as part of the maintenance activity 101 electrical insulating sheaths were installed during the reference period.

Another implemented measure specifically designed for the white stork, is the mounting of bird nest support systems on low and medium voltage line poles. During the reference period, 187 stork nests were installed on OHL poles, out of which, 158 were installed in partnership with the Milvus Group. The total number of nests installed on the electricity distribution networks managed by Electrica Group operators in different stages of their development reached 2,732.

Moreover, by periodically trimming trees to maintain the OHL protection corridors, in collaboration with the specialized forestry personnel, our companies contribute to the prevention of potential wildfires that could be started by electric shocks occurred as a result of vegetation (branches, twigs, etc.) and electric lines touching, also contributing to the conservation of biodiversity.



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Responsible Waste Management

On the background of a permanent increase in the quantities of waste generated by the economy, increasingly ambitious targets are set at national and European levels for reintroducing this waste into the economic streams and limiting disposal into waste warehouses. Therefore, the Group companies are aware of the importance of implementing appropriate management system for the produced waste, both in the framework of the transition to a circular economy, and as an important aspect of their own contribution to the reduction of the negative environment impact.

Our contribution in 2020

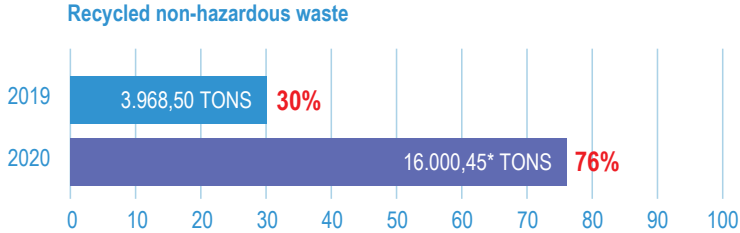


*including a supplementary quantity of non-hazardous waste in the area of services provided to third parties and managed according to service contracts.

OUR APPROACH

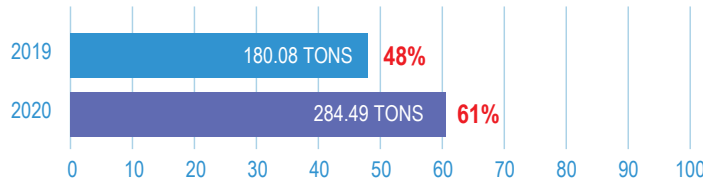
In order to ensure responsible waste management, Electrica Group has developed and implemented a unitary process, governed by principle of waste management hierarchy. Therefore, the prevention, selective collection and recycling/recovery of waste are the priorities of the internal waste management system.

To this effect, all Group companies have in place signed contracts with authorized providers for the processing/final storage of all categories of generated waste, tis being transported by those operators on the grounds of the contracted services. The waste is stored temporarily, as long as it necessary until takeover by the operators, in specifically designed areas, in containers labeled according to the legislation in force, the waste traceability and the application of the best treatment technologies being permanently sought after.



*including a quantity of 11,200 tons of non-hazardous waste (construction and demolition waste) resulting in the area of services provided to third parties and managed according to service contracts

Recycled hazardous waste



The Group distribution operators conduct a comprehensive program for polychlorinated biphenyl compounds (PCB) elimination from the electric installations under operation.

	2020	2019
SDEE TS	475	475
SDEE TN	186	263
SDEE MN	1,215	1,442
TOTAL	1,876	2,180

Electric capacitors with PCB in operation

Another environmental matter relevant for Electrica and associated to both its current activities and the installations under operation, and also, to temporarily deposited waste, is the accidental leaks of electrical insulating oil. The distribution companies perform a close monitoring of the equipment in operation in the operated transformer stations, and the service companies monitor the deposited equipment and electric insulating oil, as well as the processes conducted in the equipment inspection and repair shops, for these leaks to be prevented or quickly limited.

For certain sites, soil and water analyses are also performed regularly in order to detect potential leaks unnoticed, in accordance with the requirements of the environmental permits.

During 2020, no excesses of the accepted limits established under the applicable national regulations were raised for either type of emissions of pollutants in the distribution, supply, services and governance areas of Electrica Group.

The only incident – with a low environmental impact – was recorded in 2020 within SDTS, in the oil equipment warehouse from the Zizin Station – Brasov Regional Structure, and was represented by a minor accidental leak of electric insulating oil, which resulted in superficial soil pollution. The company took decontamination actions, with the soil showing traces of oil being removed, collected and appropriately stored separately in special containers, to be delivered to the authorized waste disposal operator. Following this incident, the Company paid a fine amounting to RON 3,750 for inappropriate storage of oil equipment; however, based on the verifications performed by the environmental authority, due to the low quantity of leaked oil, the restricted affected area and the immediate actions implemented by the Company, no measurements of the soil quality indicators were needed. The warehouse of decommissioned oil equipment within the Zizin Station was cleared in part following the retirement and materialization through sale of the fully depreciated transformers, the remaining equipment allowing for compliant storage exclusively on the concrete platform.



07 Our Commitment to the Team

GRI: 102-8, 103-1, 103-2, 401-1, 401-2, 401-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10, 404-1, 404-2, 405-1, 406-1

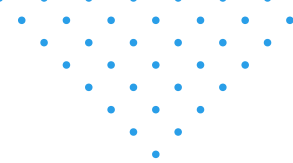
Our performance would not be possible without the involvement and know-how of our employees, who always act in a professional and dedicated manner. For this reason, Electrica Group is constantly concerned with the satisfaction of the employees, with their professional development and with the creation of a motivating work environment, which to provide challenges and satisfactions to the same degree.

Electrica Group is a stable and important actor in terms of size, geographical coverage and strategic importance of the main activity. These characteristics, however, also pose risks to proficient operation and development if the related threats and vulnerabilities are not identified and addressed in due course. For this reason, the Group is going through an organizational transformation and operational performance improvement process in a period when the energy market itself has undergone significant changes. Under these circumstances, it is essential for the Company to create conditions for maintaining an optimal motivation level with a view to achieving the long-term business objectives. Moreover, the pandemic disturbed the labor market in 2020, but it also gave a new perspective on the labor relations and the working from home concept.

It is important to also note that Electrica Group operates on a competition market where the technological progress grows very fast and the workforce faces many challenges, such as migration and lack of qualified staff. Furthermore, both the companies' and the employees' approaches to work, as defined in the past, are changing. As a result, competitive salary packages are no longer a motivation, and the non-financial benefits and organizational culture become increasingly important for attracting and retaining staff.

Our Main Objectives:

- ▶ Ensuring our employees safety and protection;
- ▶ 0 accidents at work;
- ▶ Ensuring the personnel training and materialization of their potential, expertise and skills;
- ▶ Creating a work environment favorable to inclusion and diversity;
- ▶ Increasing the employees' trust in the company and employee retention rate;
- ▶ Promoting equal opportunities and recording no discrimination;
- ▶ Modernizing the organizational culture.



Our Approach:

With a team consisting in more than 8,100 employees, Electrica Group is one of the top employers in energy. We consider the human resource to be a core element of the Group performance and success, and, as such, at the end of 2019, the Group **personnel strategy** for 2019-2023 was developed, aimed at ensuring qualified resources necessary for supporting future initiatives, also taking into account the increased dynamics of the labor market. The central objectives of the human resource strategy include the concern for our employees' professional development and performance evaluation, attracting and retaining the staff, and the organizational structure modernization, these objectives being in line with the organization Mission, Vision and Values. The grounds for these objectives are in accordance with the current reality and combines a labor market deficient in highly qualified and qualified workforce with an internal component undergoing modernization. The ambitious objectives expressed in the Group strategy involve careful human resource planning and management, because the undertaken transformations require specialized, competent and performance-oriented personnel.

The Group management supports the principle of development through continuous training and takes active part in the employees' involvement in these programs, thereby supporting them in effectively approaching professional challenges.

Taking the into consideration pandemic environment throughout 2020, we are proud to have successfully implemented the **work-from-home system** within Electrica Group. The work-from-home activity continues, in strict compliance with the authorities' recommendations and with the related new processes designed internally regarding workplace safety and human resource management.

Respect for diversity is an integral part in our set of values and it is present in all interactions within the Company. As such, Electrica Group commitment to diversity, inclusion and equal opportunities includes all aspects of the

employment relationship, from recruiting and hiring, training, promotion and career development to remuneration and working conditions. For this reason, a core principle we use to guide our activity is the lack of any discrimination or harassment based on ethnicity, race, sex, political beliefs, religion or on any other type of criteria in the relationship with the employees, as well as our partners, collaborators and clients.

One of the Group objectives is to increase the employees' trust in the employer and create a working environment fostering team development and achievement of the performance sought. For this reason, in order to ensure better interaction between Electrica Group companies' employees with the aim to increasing the retention rate and improving organizational culture, in 2020, a project aimed at **improving the employee experience within the Electric Group** was initiated.

Modernization of the organizational culture, having as key elements excellence and safety, both for the staff and the collaborators, is another objective of utmost importance. As such, one of the projects implemented in 2020 was the **Change Agents Program** conducted within the distribution regions with the aim to supporting the organizational change resulting from the merger of the distribution companies. This program is designed for employee integration and encouraging them to accept change, and, also, seek and suggest solutions for problems they face at work.

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Electrica Group ended 2020 with 8,147 employees, only 1.8% less than the prior year.

Number of Employees for Each Company of the Group at the end of 2020

	2020	2019	2018
MN	2,184	2,191	2,166
TN	2,257	2,233	2,160
TS	2,094	2,085	2,024
FISE	699	463	347
EFSA	793	896	872
SEM (included in SERV starting December 2020)	0	296	303
ELSA	120	128	123
TOTAL	8,147	8,292	7,995

At Group level, there were 777 new hires and the employee turnover was 7.99%.

More than 97% of the employees work based on individual labor contracts signed for an indefinite period of time, and more than 99% are full-time employees; this way, we offer the employees a higher degree of trust in their future within Electrica. At the end of year, about 98% of the Group employees were part of the trade union, the working conditions being provided in the Collective Labor Contract. Electrica Group faced no trade union actions in 2020.

COMPENSATION MANAGEMENT

Electrica Group provides to its employees several benefits, regardless of the type of contract (on an indefinite/definite period of time), the workload or professional experience. The salary benefits are determined in accordance with the Collective Labor Contract, and exceeded RON 774 million in 2020, or a 25% increase compared to the prior year.

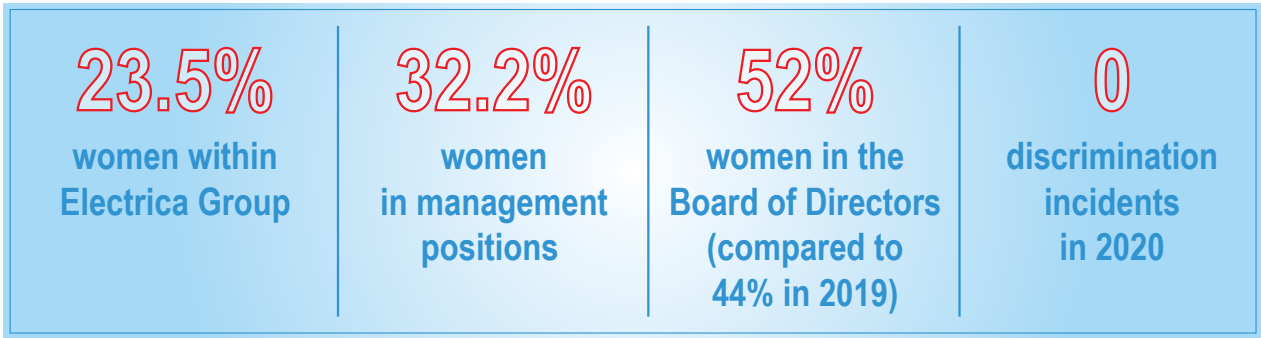
The salary benefits are based on the activity, results, experience and individual performance of each employee. The benefits granted to the employees include:

- Meal tickets and gift vouchers;
- Paid days-off, other than national holidays, such as Women's Day, Electrician's Day, Easter Tuesday, third day of Christmas, employee's marriage, birth of a child etc.;
- Increase for having gained work experience and experience in the energy field;
- Jubilee bonus, granted to employees according to their continued seniority within the company (energy system);
- Retirement bonus, granted to the employees according to their seniority in the energy system upon retirement;
- Lump sum addition to the salary for Easter Holidays, Energy Worker's Day and Christmas;
- Material support for marriage, granted the month of the event, in an amount equal to a basic salary;
- Material support for the birth or adoption of a child, in the amount provided for the support, for each child;
- Material support for temporary work incapacity;
- Material support for expensive medical treatments;
- Death grants for an employee's death or death of a member of their family.

The parents' rights are firmly respected within Electrica Group, both men and women being encouraged to take the parental leave. In 2020, 67 employees requested and benefited from parental leave (49 women and 18 men).

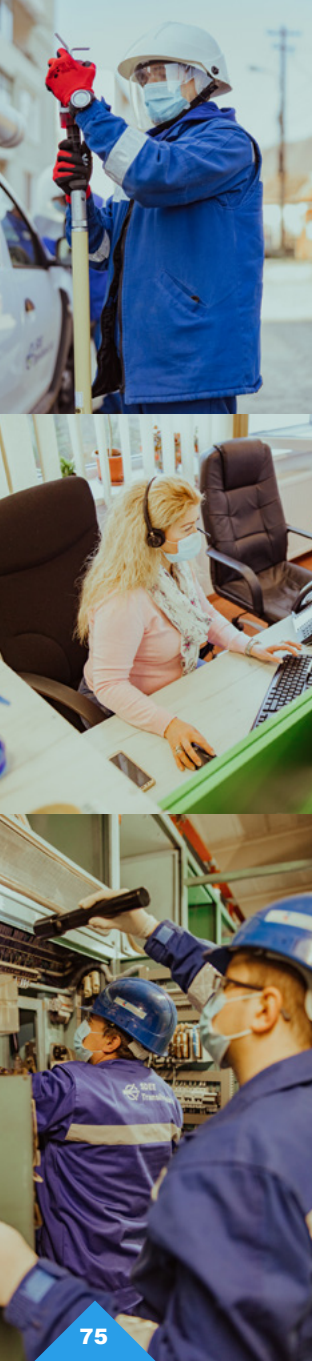
Diversity and Inclusion

Our contribution in 2020



Understanding and supporting diversity among our employees means recognizing, appreciating and valuing the different perspectives and experiences that make each of us unique, thereby respecting and encouraging each individual to be themselves, regardless of their cultural, religious, political or other personal beliefs.

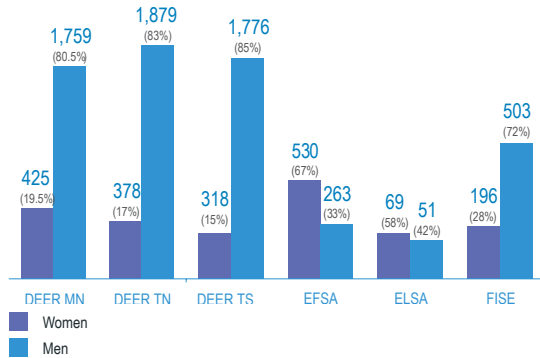
Electrica Group supports a culture of diversity and inclusion, so we implement and enforce policies and procedures to ensure equal opportunities, non-discrimination, diversity, inclusion and equal promotion opportunities for employees. We make all efforts to ensure equal and non-discriminatory treatment in the relationship with our employees, partners, collaborators and clients, and provide them with a specific application, the “**integrity whistleblower**”, through which they can report discriminatory behavior inclusively. In 2020, **no discrimination incidents were recorded** at Group level.



GENDER DIVERSITY

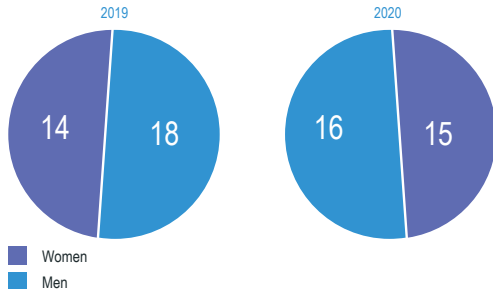
We support the principle of equality between men and women and we want to have a balance between the number of women and men within Electrica staff structure, but we are aware that this is strongly influenced by the profile of the activities we perform, and, for this reason, achieving a balanced gender ratio is a challenge. As such, out of the total employees, 23.5% are women.

Employee distribution by gender in each company of the Group:



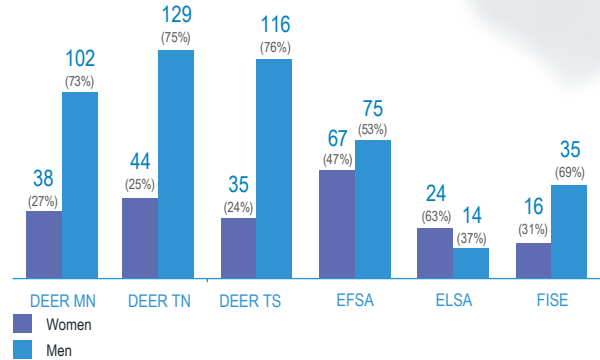
At the end of 2020, 52% of the Board of Directors members were women, an increase compared to 2019.

Board of Directors Structure at Electrica Group level by gender:

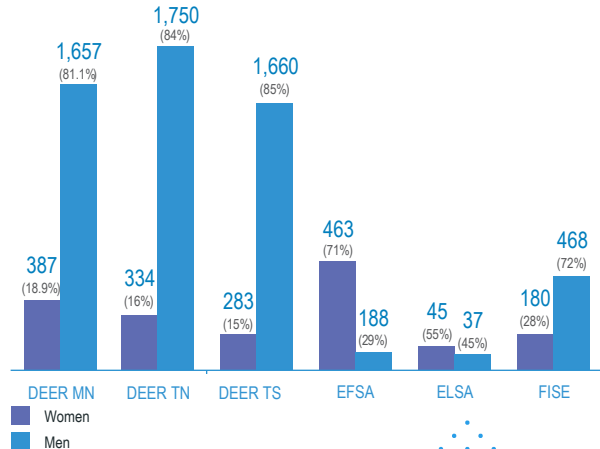


During the reporting period, 224 women were employed in the management structure at Group level, accounting for 32.2% of all management. In terms of executive positions, accounting for 91.4% of the Group's total employees, in 2020, their distribution was 22.7% women and 77.3% men.

Management Distribution by Gender:



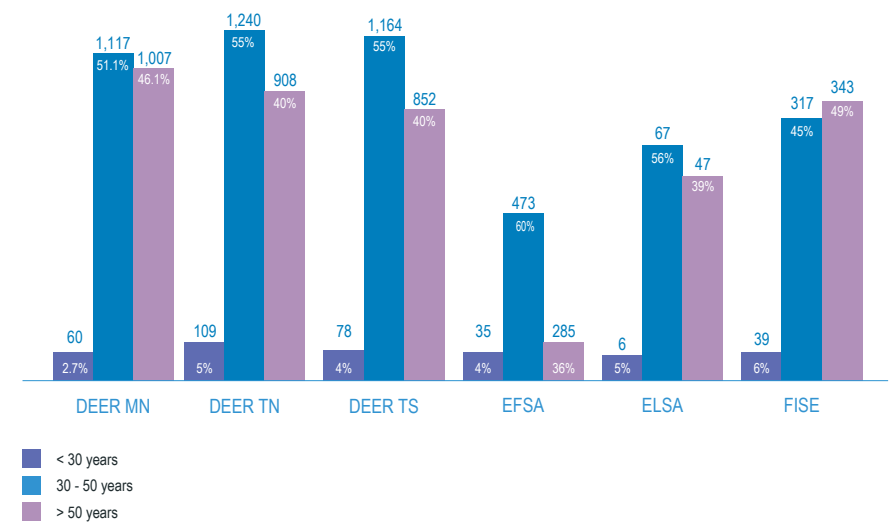
Qualified staff distribution by gender:



AGE DIVERSITY

In terms of the employee structure according to age, out of the total Group employees, about 42.2% are in the 50+ age category, similarly to 2019 (42%), but it is an increase by more than 7% compared to 2018 (35%).

Employee Distribution by Age in Each Group Company



At the level of the Boards of Directors of Electrica Group companies, 42% of the members are aged 30 to 50, while 52% are over 50.

Structure of the Boards of Directors of Electrica Group entities by age

	2019		2020	
	Number	Percent	Number	Percent
< 30 years	0	0%	0	0%
between 30 - 50 years	15	47%	13	42%
> 50 years	17	53%	18	58%

Age diversity is one of our main concerns, considering that the average age of employees has been increasing over the last few years, and also knowing that the available specialized workforce is decreasing, and the new generations are losing interest in the energy sector. These factors, also combined with the fact that Electrica Group operates on a competitive market where the same skills are needed as those required by the Group, make it difficult to meet the need for qualified workers for the sector in which we operate. This will become more obvious in the coming years with the retirement of energy companies' employees. For this reason, in order to maintain the continuity of operational activity, starting with the 2019-2020 school year, we initiated a dual education training program across all distribution operators within the Group.



DUAL EDUCATION TRAINING PROGRAM

To enhance and maintain organizational capabilities and support the Company performance, **the dual education training program** was implemented in all three distribution regions, Northern Transylvania, Northern Muntenia and Southern Transylvania. The classes are organized in energy high schools, where students are trained according to a curriculum adapted to the market needs, they do the practical training within the distribution companies, and after graduation, they can be easily integrated into our teams of specialists.

Through these actions, in addition to contributing to the building of a solid base of young electricians who can join the distribution companies in the future, we also get involved in the life of the communities in which we operate, and support children from families of modest means to stay in the education system.

We believe that training young people under the guidance of people with experience in the field gives them the chance to become aware of the fact that vocational training is important in choosing and exercising a profession.

The students are mentored by colleagues from Electrica with extensive experience in the field, so we are convinced that training young people under the guidance of such people will help them realize the importance of the vocational training in choosing and practicing a profession. The students are also incentivized by monthly scholarships (worth RON 500, in addition to the monthly scholarship provided by the Romanian State), a merit scholarship of RON 200/month (according to the school results) and lunch during the practical work.

DEER MN supported the setup of two dual education vocational classes (energetic profile) at the Elie Radu Energy Technological High School in Ploiești, a traditional educational institution in the Romanian energy industry. A total 56 students attend these classes and we are happy to

state that there were no cases of dropouts. We provided a monthly scholarship of RON 500 for all students, and according to the school results, 11 merit scholarships were added to these. At the beginning of each school year, IXth grade students received a backpack, notebooks, an equipped pencil case, a geometry kit, and at the end of 2020 all 56 students received tablets, taking into consideration the epidemiological situation and the students' educational needs, to allow them to participate in **the educational process online**. **In total, in the school year 2020-2021 (September-April) we provided material support in an amount RON 233,580.**

DEER TN signed a partnership agreement with the Energy Technical College and the City Hall of Cluj Napoca, for the profession of electrician for low voltage electric grids, on the basis of which the first dual vocational education class was set up for the school year 2019-2020 at the Technical Energetic College, with the number of available slots allocated being fully occupied, namely 28 students. For the school year 2020-2021, a second class was set up at the College with a total 19 students. The company also signed a partnership with the Traian Vuia Technical College in Oradea and the City Hall of Oradea for the school year 2020-2021, for the training of 5 students for the profession of electrician for low voltage electric grids. At the opening ceremony of the school year, students received backpacks equipped with all the necessary school supplies. **For the school year 2020-2021, were offered students monthly scholarships and performance incentivization awards in an amount RON 167,000.**

DEER TS supported the set-up of two dual education vocational classes in the school year 2019-2020, a class with 23 students at the Dorin Pavel Theological High School in Alba Iulia and a class with 28 students at the Mircea Cristea Technical College in Brașov. In the school year 2020-2021, a second class was set ups in Alba Iulia with 26 students. **In total, in the school year 2020-2021, were offered scholarships and performance incentivization awards in an amount RON 235,594.**

Employee Training and Development

Our contribution in 2020

18,041
hours of vocational training

We are aware that our current performances, and especially, our future performances, depend on the people who make up the Electrica team. For this reason, the education and personal and professional development of our employees is one of Group's main objectives, and it is our responsibility to foster their growth and that of the communities in which we operate.

The vocational training is performed based on individual training plans taking into account the level of training, the basic skills, the need and requirements of the employee's job, the possibilities for development and the requirements of the organization at that time.

Company	Average number of training hours per year, per employee*
DEER MN	1.85
DEER TN	1.24
DEER TS	1.37
EFSA	9.02
ELSA	9.75
FISE	0.8

**We note that in 2020, the values are lower compared to previous years both because of the pandemic context and as a result of to the application of a different computation formula.*

In 2020, we provided to our employees 18,041 hours of vocational training. Dedicated professional programs are available to all and focus on the specific activity and the development needs of each individual, aiming at both technical (hard skills) and non-technical (soft skills) skills improvement and well-being programs. For example, some of the courses provided consisted in technical certification programs (Environmental Officer - Waste Management, Energy MBA, GDPR Auditor, Theoretical training course to obtain/extend ANRE permits, etc.), IT courses (Efficiency and Productivity through Microsoft Excel), and also, courses for developing non-technical management skills. Thus, an extensive vocational training project in the area of Project Management, AGILE Transformation, PMO and Business Case Guide was launched last year within the Group, with the aim of preparing the organization for the upcoming period and initiatives. More than 100 participants attended these courses and more than 40 training days were dedicated to these topics.



PERFORMANCE MANAGEMENT

Another objective of major focus for Electrica Group is performance management, as a coherent system that objectively evaluates the employees' activity, in close correlation with the compensation and benefits system, as well as the professional development system.

To this effect, the Group's Key Performance Indicators (KPIs) Catalogue was developed as a tool that ensures an objective and professional assessment of the achievement of Electrica's strategic objectives in each main field of activity. In addition, a framework methodology for applying the KPI Catalogue and performance management according to best practices was developed and will be adapted for each company. The project also included a series of applied workshops, training sessions on the setting and assessment of performance indicators, as well as other actions aimed at transferring knowledge for the purpose of the methodological alignment across all hierarchical levels and the expression of expectations for the purpose of strengthening internal teams.

Health and Safety at Work

Our contribution in 2020

Completion of the migration of Integrated Quality Environment Management Systems - SSO to the new SR ISO 45001:2018 standard

312,100

hours of training on occupational health and safety and emergency situations - OSH-ES (13% increase compared to 2019)

Implementation of resilience plans in the context of the COVID-19 pandemic

Implementation of the Near Miss Project

The market leadership also involves a major responsibility for those more than 8,100 colleagues in the Electrica team. For this reason, the occupational health and safety of our employees and contractors are core elements of the commitment undertaken by the Group to running and developing the company responsibly.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The organization's strategic vision in the field of occupational safety and health remains "**ZERO Accidents**".

In this regard, the **Integrated Quality-Environment-Occupational Health and Safety Management System** implemented, certified and supervised at the level of each Electrica Group company by the certification body SRAC Cert ensures that companies comply with the legal requirements in the occupational safety and health field (Law 319/2006 occupational safety and health and its subsequent legal rules) and those of the reference standard **SR ISO 45001:2018**, thus enhancing the safe provision of services and business processes performance for both the organization's and the contractor's staff.



2020 was the year when the completion of the migration of the Integrated Quality Environment Management Systems - SSO implemented at the level of Electrica Group companies from the OHSAS 18001:2007 standard to the new SR ISO 45001:2018 standard. By the end of the year, all companies had completed external audits performed by the certification body, either for system oversight, maintaining their certifications as a result, or for system certification, obtaining certification. The specific documentation was in a unified form, as a core element of the Integrated Quality - Environment Management Systems- SSO, certified at the level of the Group companies and its maintenance and compliance will be constantly monitored. Therefore, 2020 practically meant eliminating the gaps existing between the systems in the prior year due to the reporting of some companies to the British standard OHSAS 18001:2007, by aligning and certifying all the Integrated Quality-Environment-Occupational Health and Safety Management Systems implemented within Electrica Group companies, in accordance with the new reference standard SR ISO 45001:2018.

The entire activity of the Group companies and, therefore, all their jobs are covered by the occupational health and safety management system,

implemented and integrated at the level of each of them with the environment management system and the quality management system, in an Integrated Quality - Environment Management System - SSO certified by SRAC Cert, an accredited and IQNet-affiliated certification body.

PROMOTING EMPLOYEE HEALTH

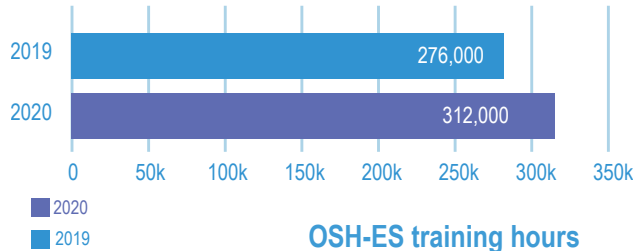
The preparation and implementation of the companies Resilience Plans in the context of the COVID-19 pandemic required a sustained effort during 2020 by the OSH teams of each Group company and coordinated at the level of the IMS&OSH Department of Electrica. The main actions defined and managed at OSH level concerned:

- development of the regulatory framework necessary to prevent the spread of the new coronavirus at the level of the Group companies (rules for collaboration and use of common areas, rules for the hygiene of work equipment and devices, rules for travelling on business, intervention protocols in self-isolation or quarantine sites, protocols for managing illness, direct/indirect contact, return from risk areas, etc.);
- internal communication of matters relevant in the context of external and internal developments;
- ensuring staff awareness and training to reduce the risk of contamination at work (hygiene rules, legal obligations, use of medical devices for prevention, new regulations defined, work-from-home regime, etc.);
- operationalizing the work-from-home concept together with the HR team for the staff whose work allowing this and activity reorganization to ensure continuity of key processes where it was not applicable;
- ensuring the provisions and services necessary to protect staff (sanitary and hygiene materials and services, medical devices, markings and signaling, testing services and kits, etc.).



SAFETY CULTURE

Because the safety of our employees also depends on their understanding and acknowledgment of risks and hazards at work, we regularly organize training sessions on the main causes of accidents and on prevention and protection measures.



OSH-ES training hours

Following the implementation of the training component of the Resilience Plans developed in the context of the COVID-19 pandemic, in 2020, the total number of OSH-ES training hours performed increased by more than 10% compared to the prior year, reaching 312,100 hours of training on occupational safety and health, fire protection and emergency situations.

OUR PERFORMANCE IN OSH

During the reporting period, one fatal work accident was recorded at Electrica Group level.

Although the total number of work accidents at Group level increased by one accident to the prior year, i.e., five work accidents compared to four in 2019, the number continued to be below the level recorded in 2018 (six work accidents) and the severity of their consequences decreased. As a result of these events, one electrician from SDTN died, three other employees of Electrica Group companies (from SDMN, SDTN and SDTS) needed hospitalization and one employee (from SERV) suffered a fracture treated by home rest.

The combination of complementary causes and contributing factors that have led to the occurrence of each of these accidents was analyzed either by the Territorial Labor Inspectorates or by the companies where the accidents occurred by legally-constituted committees, and the investigation files include the preventive actions for similar situations that each company needs to implement. Three of the five work accidents recorded at Group level were caused by the risk of falls from height, for one of the accidents the electrical risk resulted in fatal consequences, and the other accidents were due to tripping and same level fall. An additional measure implemented in 2020 was the Near Miss Project, as a work accidents prevention solution.

	2020	2019
Number of work-related deaths	1	2
Rate of work-related deaths	0.07	0.15
Number of work-related injuries with serious consequences (days of temporary work incapacity, excluding deaths)	4	2
Rate of work-related injuries with serious consequences (days of temporary work incapacity, excluding deaths)	0.28	0.15

The total number of hours worked in 2020 was 14,221,686, in 2019 it was 12,638,182, and the rates were calculated based on 1,000,000 hours worked.

At Electrica Group level, no occupational illnesses were recorded during the reference year and in prior years.



**HAZARD IDENTIFICATION, RISK ASSESSMENT,
AND INCIDENT INVESTIGATION**

The hazard identification, OHS risk assessment and management process is documented at Group company level by implemented system procedures, which include several instructions covering specific activities: identification, reporting and handling near-miss events, communication OSH events, application of the STOP ACTIVITY! principle, OSH performance measurement and monitoring of occupational safety and health indicators, and OSH and ES training.

Hazard identification and risk assessment are performed for each component of the work system. The triggers for the hazard identification and risk assessment process initiation include, in accordance with the relevant national legal provisions: changes or amendments to the workload, technology, work equipment; workplaces/stations arrangement and organization or any other relevant changes in the working environment; occurrence of an OSH event; start of special/atypical works; emergence of new risks; use or assignment of the job to a worker from vulnerable groups.

Following hazards identification and risk assessment for the workplaces at Group company level, technical, organizational, hygienic-sanitary and other type of preventive and protective measures necessary for eliminating/mitigating risks and ensuring the health and safety of workers, are defined for each of them. All these measures are integrated for each company in a Prevention and Protection Plan submitted for consultation with workers' representatives within the Occupational Safety and Health Committee organized on a quarterly basis at the level of each company. As part of the process, the reporting and handling of near-miss OSH events and dangerous situations are managed according to the instructions in force, either through the use of a written form communicated upwards, or on the Group intranet platform, by filling-in the dedicated form in the Occupational Safety Section, in order to have the necessary corrective

measures implemented according to their nature and urgency, all of which are monitored by the specialized department within Electrica.

Also, the application of the STOP ACTIVITY! principle in hazardous situations and employee removal from the danger zone, as part of the process, are documented under a dedicated company-wide instruction that explicitly provides for the right of employees to protection and the interdiction of retaliation for cases when this principle is applied.

In terms of OSH events investigation, it is performed in accordance with the legal provisions depending on the severity of the event consequences, either internally, by a committee appointed by the employer including at least one OSH specialist, or by the competent local authority (Territorial Labor Inspectorate) and the Public Prosecutor's Office. Based on the investigation findings, several measures are defined in order to prevent similar situations/events in the future, always including the presentation of the case to all Group employees involved in activities similar to that during which the event occurred, as part of the subsequent or additional training sessions organized if the event had particularly serious consequences.

The hazard identification, OSH risk assessment and management process, and all included activities are performed at company level by dedicated OSH specialists appointed by the management and coordinated at the level of a dedicated service, involving the entire staff and under the methodological coordination of the IMS&OHS Department at ELSA level. In 2020, at Electrica Group level, a total 37 OSH specialists were appointed within the OSH Services organized in each of the six operating companies and the department within the Group's parent entity.

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A separate OSH control process is defined and implemented across all Electrica Group companies in order to continuously verify the adherence to internal OSH rules and the compliance, which involves, in addition to the 37 OSH specialists, a number of top and middle management positions within the Group companies.

Both processes are audited on an annual basis both internally, as part of the annual IMS Quality-Environment-SSO internal audit program, and externally, by the certification body, as part of surveillance or recertification audits, during which potential non-conformities, as well as potential ways for process improvement, are identified.

OCCUPATIONAL HEALTH SERVICES

Prevention, monitoring and occupational health insurance are performed within Electrica Group by physicians specialized in occupational health, with a differentiated approach to the internal or external management of these activities at Group company level. While for the distribution and supply, as well as governance areas, these are provided mainly externally, on the basis of dedicated service contracts with established providers in the field of health and medical services, at the level of service companies, internal management was preferred, by employing health professionals (physicians and nurses) in the OSH Services.

The organization makes sure that the information related to employees' health and participation to occupational health services is not used to their advantage or disadvantage, in addition to ensuring appropriate protection

of their health and safety at work by dedicated contractual provisions covering the confidentiality of the personal data and information, which are included in all contracts signed with the healthcare providers, as well as through the implementation of a Personal Data Processing Policy in line with the GDPR principles, across all its companies.

The employees health is monitored through periodic medical check-ups performed a least annually or at lower periods of time (3-6 months), if the occupational physician makes such a recommendation, and is statistically monitored both at the level of the portfolio companies, and at Electrica S. A. level by means of half-yearly reporting and the coordinating OSH Committee established in 2018, which brings together members of representative trade union organizations of Group companies, middle management with OSH duties and the executive management of these companies.

PARTICIPATION, CONSULTATION AND COMMUNICATION OF WORK HEALTH AND SAFETY ISSUES TO EMPLOYEES

The employee participation and consultation as part of the development, implementation and evaluation of the work health and safety management system process is performed through the Occupational Health and Safety Committee, established on a parity basis across each Electrica Group company, and brings together employees' representatives with specific occupational health and safety duties, on the one hand, and the employer, through its legal representative and other appointed representatives, in an equal number to the workers' representatives and the occupational physician,



on the other hand. Quarterly meetings of this Committee are held, during which the OSH risk assessments, the prevention and protection plans, the reporting on the staff's health and the annual reports on the workers' occupational health and safety, as well as a number of company-specific issues relating to employee health and safety, are presented and submitted for consultation. All company employees are represented in these committees.

In addition, in order to give each employee the opportunity to express their views on the OSH risks, on how to address and handle them and the potential ways to improve occupational health and safety, general employee consultations have been carried out using anonymous questionnaires circulated to all employees.

In 2020, Electrica also initiated a pilot project for online consultation of employees through the intranet platform, a project that is intended to be extended to all companies once the platform's functionalities are extended.

Both the intranet platform, through articles and information posted, and the regular training sessions are used in order to communicate relevant occupational health and safety topics to employees.

**PREVENTION AND MITIGATION OF OCCUPATIONAL
HEALTH AND SAFETY IMPACTS DIRECTLY RELATED
TO BUSINESS RELATIONS**

In order to prevent and mitigate significant adverse occupational health and safety impacts that are directly related to the operations or services provided by the organization through its business relations, as well as the related hazards and risks, Electrica Group companies sign occupational health and safety agreements in relation to all works and service contracts entered into covering activities performed on the premises or installations

of the Group companies. These agreements are intended to define the mutual obligations of the contracting parties and their staff, including in terms of the presentation of identified and assessed OSH risks, worker training, site delivery, compliance with legal occupational health and safety rules and compliance with the company's internal OSH instructions.

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08 Community Involvement

GRI: 103-1, 103-2, 413-1, 416-1

The COVID pandemic has led each of us to understand how important solidarity is, and also the fact that it is essential to act together, as a community, to support the global response to the COVID-19 crisis.

Our priority was initially the safety of employees, changing working conditions and providing protection measures and equipment that would allow them to operate safely, thus protecting both themselves and their families, and indirectly the community. This was followed by a detailed analysis of the measures and systems that ensure business continuity, to make sure that we can continue to be a reliable energy supplier and distributor for our customers, regardless of the situation. We identified activities and roles of critical importance, planned scenarios and instituted the necessary safety measures. In parallel, we have turned our attention to our customers, in order to better understand their needs in pandemic conditions and to identify ways in which they want to interact with us, as well as how we can ensure their safety.

OUR RESPONSE TO THE COVID-19 PANDEMIC

Since the beginning of the coronavirus pandemic, Electrica Group has adopted special measures to protect its clients, employees and partners, as well as to limit a potential extension of Covid-19. The Group's existing resilience plan was promptly updated to respond to the exceptional situation at national level. Prevention and protection measures have been implemented in all areas where the Group's employees work, which have included: limiting and even temporarily suspending access to certain locations, canceling meetings and non-essential travel, intensifying actions on personal and work hygiene, implementing the concept of telework, where possible. At the same time, Electrica Group encouraged its partners and customers to use indirect relationship methods, online or by phone, to solve various requests, and to use online payment methods. MyElectrica account, internet banking and mobile banking are still alternative payment methods for electricity or natural gas bills.



Corporate social responsibility

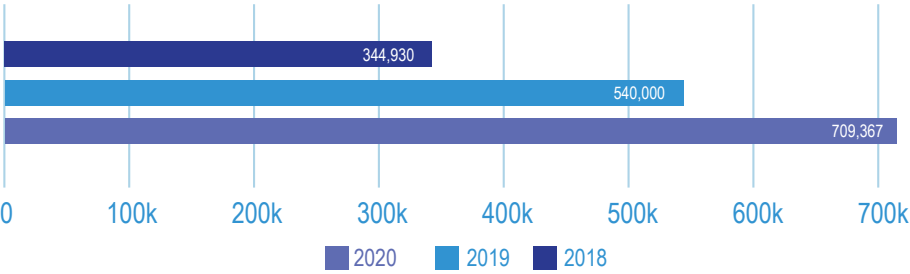
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Social involvement is part of the company's strategy, because we want to be a responsible player in the energy market and to carry out our business, contributing in a transparent way to remedying the social problems identified.

In 2020, Electrica Group maintained the policies on grants, donations and sponsorships approved in 2018, implemented at the level of its subsidiaries in 2019 and operationalized through a dedicated working procedure.

As in previous years, during 2020 we became involved in the community and have financially supported social causes, directly or through prestigious non-governmental organizations in Romania, focusing on supporting the health care system in managing the COVID-19 pandemic throughout the country.

In 2020, we invested in CSR projects over 700,000 Euros, twice as much as in 2018.



CSR investments [EUR]

SUPPORTED KEY AREAS

Health	Social inclusion
Education	Culture
Sports	Environment



**ELECTRICA INITIATIVES
IN THE FIGHT AGAINST COVID-19**

Electrica Group, through its electricity supply, service and distribution companies, supported the remarkable effort of the medical staff against the spread of the new coronavirus and donated 240,000 euros in support of hospitals in Bucharest, Ploiesti, Brasov and Cluj.

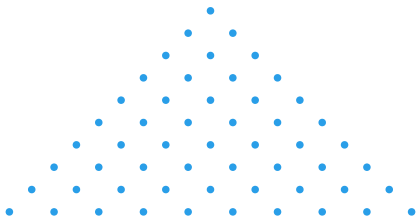
The donated amounts were used for the purchase of medical equipment absolutely necessary for the treatment of patients affected by the new virus, as well as protective equipment for medical staff, as follows:

- ▶ **Cluj County Emergency Hospital;**
- ▶ **Braşov Pneumoftiziologie Clinical Hospital;**
- ▶ **Ploieşti County Emergency Hospital;**
- ▶ **“Marius Nasta” Institute of Pneumoftiziologie, Bucharest;**
- ▶ **“Matei Balş” National Institute of Infectious Diseases, Bucharest.**



Electrica Furnizare also contributed, with approximately 90,000 euros, to the “National Campaign for information and prevention of contamination with the new Coronavirus”, implemented by the Romanian Red Cross, for the purchase of disposable sanitary masks.

In the same context, Electrica employees were involved in an internal fundraising campaign for the “Marius Nasta” Pneumoftiziologie Hospital, in order to purchase strollers for patients, some of which have already been donated to the medical unit.



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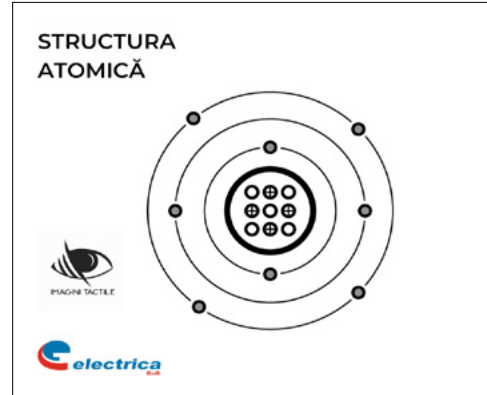
GRANTS PROGRAM “ELECTRICA PUTS ROMANIA IN A DIFFERENT LIGHT”

During 2020, the implementation of the projects included in the Grants Program “Electrica puts Romania in a different light” was continued. Thus, the projects received the necessary support for implementation, in a difficult period in view of the pandemic context.

Below are listed some of the participating projects that were implemented in 2020:



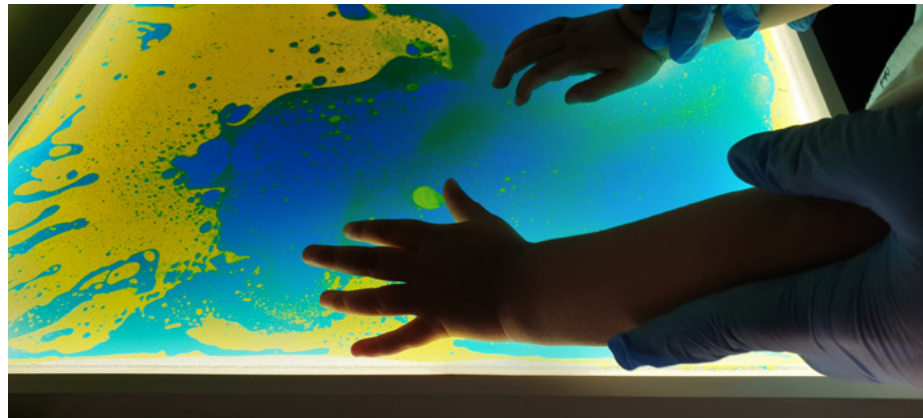
Aprinde Speranța [Light the Hope] - Little People Association



Rețeaua tactilă [Touch Network] - Association for Urban Development



Lumina și starea de bine [Light and wellbeing] - “The Institute” Foundation



Lumina în terapie de recuperare [Light in recovery therapy] - Kinetobebbe Association



Călătoriile speranței [The Journeys of Hope] - Hospice Casa Speranței

HEALTH AND SOCIAL INCLUSION PROJECTS

1. **EFSA Sponsorship - United Cristian AID “Bunul Samaritean” Association**, to support the acquisition of a thermal power plant for the good development of activities in the 4 buildings of the United Cristian AID “Bunul Samaritean” Association in Nicorești, where 15 adult beneficiaries with severe disabilities and 50 children attending the day center are permanently accommodated of the Association in after-school regime
2. **EFSA Sponsorship – „Asociația RE: Start Cauză Bună”, to support the MOBILITAXI project**, which consists in offering free transport services to people with disabilities in Bucharest



3. **EFSA sponsorship - Romanian Red Cross**, to support for the coronavirus information and prevention campaign
4. **EFSA sponsorship - “Marius Nasta” Institute of Pneumoftiziology**, for the procurement of laboratory medical equipment, in the context of the coronavirus pandemic and the state of emergency
5. **EFSA sponsorship - Drobeta Turnu Severin County Emergency Hospital**, to purchase medical equipment in the context of the coronavirus pandemic

6. **EFSA Sponsorship - Clinical Hospital for Ophthalmic Emergencies**, to support the purchase of a cryotherapy device
7. **Sponsorship EFSA - Asociația Mâini Unite**, funds for patient help, diagnosed with tumor and other diseases in the field of cancer
8. **EFSA sponsorship - “Bagdasar Arseni” Emergency Clinical Hospital**, funds for the purchase of medical supplies, devices and medical equipment, in the context of the coronavirus epidemic and the large influx of patients diagnosed with the new virus
9. **EFSA Sponsorship - Foundation for Neurology and Epileptology**, funds needed for the projects: “Older people for young children” (project involving the purchase of necessary equipment and consumables to perform surgical operations for 10 children with epilepsy) and the project to mobilize the newly renovated spaces of the Obregia Pediatric Neurology Clinic
10. **EFSA sponsorship - “Grigore Alexandrescu” Emergency Clinical Hospital**, funds for the purchase of a video bronchoscope required by the hospital's ENT department
11. **SDEE MN Donation - Ploiești County Emergency Hospital**, to purchase medical equipment absolutely necessary for the treatment of patients affected by the new virus, as well as protective equipment for medical staff in hospitals
12. **SDEE MN Sponsorship - “Grigore Alexandrescu” Emergency Clinical Hospital**, for the acquisition of a high-performance microscopy system absolutely necessary for the emergency otological surgical activity of the ENT department of the hospital





13. **SDEE MN employees supported the institutionalized children in the “Rază de soare” placement center near the city of Ploiești**, on the occasion of June 1st, offering them a surprise party



14. **Charitable action supported by SDEE MN at the Energy Technological High School “Elie Radu” Ploiești**, on the occasion of the beginning of a new school year, purchasing backpacks and supplies for children enrolled in dual education classes



15. **Charitable action supported by SDEE MN at the “Rază de soare” placement center in Prahova County**, organized on the occasion of the Christmas holidays, through which Electrica team visited the children and offered them gifts

16. **Charitable action supported by SDEE MN at the Pro Vita Social Center, Valea Plopului Parish**, near Easter holiday, Electrica team has come to support children and adults in order to provide them with sweets, food products and sanitary products (masks, gloves and disinfectant)



17. **SDEE TN Donation - Cluj County Emergency Clinical Hospital**, donation for the purchase of medical equipment in the epidemiological context generated by the coronavirus pandemic

18. **SDEE TS Sponsorship - MagiCAMP ASSOCIATION**, for the purchase of medical equipment in the fight against coronavirus pandemic

19. **Electrica SERV donation for the National Institute of Infectious Diseases “Matei Balș”**, from Bucharest.

20. **Electrica SERV donation – “Sf. Sava” Children’s Foundation from Buzău**, endowment of the canteen of the “People of the street” social center from Baba Ana commune, Prahova county.

CULTURAL PROJECTS

1. **EFSA Sponsorship - “Gr. Vasiliu Birlic” Cultural Association**, to support the organization of the second edition of the Bucharest Best Comedy Film 2020 festival, held between December 1-10, 2020
2. **Sponsorship EFSA - Assamblage - National Association of Authors and Designers of Contemporary Jewelry**, to support the first edition of the cultural project Romanian Jewelry Week 2020
3. **EFSA Sponsorship - The Mentoring Project Association**, to support the launch of the Club Romania - Quality of Life Documentary Booklet
4. **EFSA Sponsorship - “Gr. Vasiliu Birlic” Cultural Association**, to support the organization of the second edition of the Bucharest Best Comedy Film 2020 festival, held between December 1-10, 2020



EDUCATION PROJECTS

1. **EFSA Sponsorship - Educație și Umanism Association**, to support the activities of the Titans robotics team to prepare for and participate in the First Tech Challenge competition
2. **EFSA sponsorship - StartEvo Association**, to support the Kidibot project (competitions, prizes), addressed to children aged 7-14
3. **EFSA sponsorship - Ruhama Foundation**, to support the non-profit activities carried out by the Foundation, respectively education, housing, health, material / financial support programs

SPORTS PROJECTS

1. **EFSA sponsorship - “Roșcatu Eco Montain 4x4 ASREM” Sports Association**, to support the winter sports activities carried out by the “Roșcatu Eco Montain 4x4 ASREM” Sports Association
2. **Sponsorship EFSA - Romanian Olympic and Sports Committee**, funds for the implementation of new projects carried out by it, respectively: (1) the realization of the Olympic Sports Center for Testing and Scientific Assistance and (2) the program for co-opting foreign coaches and national potential, which includes The program for developing the capacity of young coaches for performance.



Electrica Furnizare susține COSR și Team Romania



Electrica Furnizare. Alături de #CeMaiBuniDintreNoi



Care for users

Three major impact categories have been identified from a user and community health and safety perspective for the electricity distribution service: electric shock risk in the event of interaction with installations operated by the organization, noise pollution from installations operated and exceedances of the statutory electromagnetic field level of installations operated. For each of these impact categories, distribution companies have implemented specific control and reduction measures.

Thus, in order to reduce the risk of electric shock to community members in which the Group's distribution system operators carry out their activities, they ensure that the operated electrical installations under voltage are properly marked by means of appropriate markings and symbols to signal the hazard. The markings are made during the commissioning of the installation and then periodically checked and redone in case of need (damage), within the maintenance programs of the companies.

Furthermore, in order to ensure that the noise level for installations operated in residential areas is maintained within the limits provided by national legislation, SDEE TN has conducted annual noise monitoring, with the practice to be extended to the other areas of operation, starting in 2021 and formalized by a dedicated instruction. During 2020, there were no complaints from community members about exceedances of permissible noise levels under the legislation in force for installations operated by Electrica Group companies, nor any such overshootings for installations for which monitoring was performed.

In order to protect users, communities and their own employees, studies have been carried out on the level of the electromagnetic field for installations managed by distribution operators within the Group, without identifying situations of exceeding the limits permitted under the legislation in force. The level of the electromagnetic field is maintained constant during the use of the electricity distribution installations as long as no faults occur and, therefore, such studies are performed at longer intervals (5 - 10 years) or after defects have been rectified, the last such study being conducted in 2017.



09 Non-financial performance in detail

ECONOMIC DATA

Economic performance				
	Measurement unit	2020	2019	GRI indicator
Revenues	RON mil.	6,501	6,280	GRI 201-1
Other operating revenues	RON mil.	165	160	
Net profit	RON mil.	388	207	
Costs of employee benefits	RON mil.	774.5	620.2	
Contributions to the state and local budgets	RON bn.	1.232	1.098	

ENVIRONMENTAL DATA

Energy consumption				
	Measurement unit	2020	2019	GRI indicator
FROM NON-RENEWABLE SOURCES				GRI 302-1
Electricity consumption	toe/year	69,932.7	64,273.2	
Heating consumption	toe/year	383.9	585.8	
Fuel consumption	toe/year	7,168.5	8,135.3	
TOTAL	toe/year	77,485.2	72,994.3	
FROM RENEWABLE SOURCES				
Energy consumption from renewable sources	toe/year	22,042.8	20,258.9	
	MWh/year	256,311.5	235,568.8	

WASTE

	Measurement unit	2020	2019	GRI indicator
HAZARDOUS WASTE MANAGED AT THE GROUP COMPANIES' LEVEL				GRI 306-2
Recycling	tons	284.49	180.08	
Co-incineration	tons	0.00	0.00	
Incineration	tons	5.77	7.50	
Final storage	tons	0.76	30.01	
Temporary storage	tons	174.47	157.57	
TOTAL	tons	465.49	375.16	
NON-HAZARDOUS WASTE MANAGED AT THE GROUP COMPANIES' LEVEL				GRI 306-2
Recycling	tons	4,800.45	3,968.50	
Co-incineration	tons	0.00	0.00	
Incineration	tons	240.49	11.00	
Final storage	tons	1,887.01	7,667.30	
Temporary storage	tons	2,847.04	1,167.80	
TOTAL	tons	9,775	12,814.60	
NON-HAZARDOUS WASTE MANAGED IN ACCORDANCE WITH THE CONTRACTS FOR SERVICES PROVIDED TO THIRD PARTIES				GRI 306-2
Recycling	tons	11,200	0.00	
TOTAL	tons	21,440.49	13,189.76	

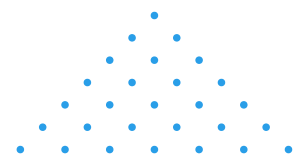
	Protected areas crossed / in the vicinity of the installations operated by DEER	GRI indicator
SDEE Transilvania Nord	Maramureşului Mountains Natural Park, protected area of national interest with IUCN category V, Natura 2000 site Maramureşului Mountains (SCI)	GRI 304-1
	Tăul lui Dumitru protected area (wetland) of national interest with IUCN category IV; The Domestic Chestnut Arboretum of Baia Mare, protected area of national interest with IUCN category IV, Natura 2000 site The Domestic Chestnut Arboretum of Baia Mare (SCI)	
	Creasta Coccoşului, protected area of national interest with IUCN category IV; Poiana Brazilor Swamp, protected area of national interest with IUCN category IV; Iezerul Mare (Tinovul Hărnicuştilor) Swamp, protected area of national interest with IUCN category IV; Morărenilor Lake, protected area of national interest with IUCN category IV; Natura 2000 site Igriş (SCI), Natura 2000 site Gutâi Mountains (SPA)	
	Tinovul Mohoş, protected area of national interest with IUCN category IV	
SDEE Transilvania Sud	Mestecănişul de la Reci and Ozun-Sântionlunca Ponds - protected area of national interest with IUCN category IV	
	Natura 2000 site Raul Negru (SCI)	
	Natura 2000 site Oituz - Ojdula (SCI)	
	Deda - Topliţa Gorge, protected area of national interest with IUCN category IV	
	Ursu Lake and the salty arboretum, protected area of national interest with IUCN category III	
	The Resonance Spruce of Lăpuşna Forest, protected area of national interest with IUCN category IV	
	Iezer Lake Reserve, protected area of national interest with IUCN category IV	
	Jnepenişul cu Pinus cembra - Călimani, protected area of national interest with IUCN category IV	
	Doisprezece Apostoli, protected area of national interest with IUCN category III	
	Mociar Forest, protected area of national interest with IUCN category IV	
	Firtuş Hill, protected area of national interest with IUCN category IV	
	Chamaecyparis lawsoniana Arboretum, Sângeorgiu de Pădure, protected area of national interest with IUCN category IV	

	Protected areas crossed / in the vicinity of the installations operated by DEER	GRI indicator
SDEE Muntenia Nord	Natura 2000 site Lunca Buzăului (SCI)	GRI 304-1
	Berteștii de Sus - Gura Ialomiței, special protection area – SPA	
	Balta Tătaru, special protection area – SPA	
	Măxineni, special protection area – SPA	
	Siretului Inferior Floodplain - special avifauna protection area - SPA	
	Călmățuiului Valley, protected area (Site of Community Importance - SCI)	
	Dealul cu liliaci - protected area of national interest with IUCN category V	
	Abruptul prahovean Bucegi - protected area of national interest with IUCN category IV	
	Bucegi Natural Park, protected area of national interest with IUCN category V	
	Valea Ilfovului Lakes - special protection area – SPA	
	Lunca Joasa a Prutului Inferior Natural Park (Prutului - Vlădești – Frumușița Floodpain) special protection area – SPA; Siretului Inferior Floodplain - special avifauna protection area - SPA	

SOCIAL AND EMPLOYEE DATA

NUMBER OF EMPLOYEES				GRI indicator
	Measurement unit	2020	2019	102-8
SDEE MN	number	2,184	2,191	
SDEE TN	number	2,257	2,233	
SDEE TS	number	2,094	2,085	
FISE	number	699	463	
EFSA	number	793	896	
SEM (included in SERV as of December 2020)	number	0	296	
ELSA	number	120	128	
Total	number	8,147	8,292	

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER				GRI indicator
	Measurement unit	2020	2019	401-1
New employee hires	number	777	642	
Employee turnover	number	651	337	
Rate of employee turnover	%	7.99	4.19	





PARENTAL LEAVE						
	Measurement unit	2020		2019		GRI indicator
		Women	Men	Women	Men	
Total number of employees that were entitled to parental leave	number	18	49	281	82	401-3
Total number of employees that took parental leave	number	18	49	29	46	
Total number of employees that returned to work after parental leave ended	number	14	30	5	13	
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	number	13	27	23	20	

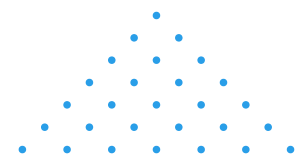
OCCUPATIONAL HEALTH AND SAFETY				
	Measurement unit	2020	2019	GRI indicator
The number of OSH-ES training hours	number	312,100	276,000	403-5
The number of work-related fatalities	number	1	2	403-9
The rate of work-related fatalities	%	0.07	0.15	
The number of high-consequence work-related injuries (days of temporary incapacity of work, excluding fatalities)	number	4	2	
The rate of high-consequence work-related injuries (days of temporary incapacity of work, excluding fatalities)	%	0.28	0.15	

TRAINING AND EDUCATION			
	Measurement unit	Average hours of training per year per employee	GRI Indicator
DEER MN	number	1.85	404-1
DEER TN	number	1.24	
DEER TS	number	1.37	
EFSA	number	9.02	
ELSA	number	9.75	
FISE	number	0.8	

GENDER DIVERSITY						
	Measurement unit	2020		2019		GRI Indicator
		Women	Men	Women	Men	405-1
DEER MN	%	19.5	80.5	19	81	
DEER TN	%	17	83	16	84	
DEER TS	%	15	85	14	86	
EFSA	%	67	33	68	32	
ELSA	%	58	42	59	41	
FISE	%	28	72	36	64	
Board of Directors						
	%	52	48	44	56	
















AGE DIVERSITY								
	Measurement unit	2020			2019			GRI Indicator
	%	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years	
DEER MN	%	3	51	46	3	47	49	405-1
DEER TN	%	5	55	40	5	58	37	
DEER TS	%	4	55	41	5	57	38	
EFSA	%	4	60	36	3	58	39	
ELSA	%	5	56	39	6	63	30	
FISE	%	6	45	49	4	49	47	
Board of Directors								
	%	0	42	58	0	47	53	



SECTOR DISCLOSURES

Sector performance – Distribution				
	Measurement unit	2020	2019	GRI Indicator
Grid losses for the 3 distribution companies of Electrica				
MN				EU 12 - CPT
Target	GWh	816	840	
Achieved	GWh	789	802	
TN				
Target	GWh	641	626	
Achieved	GWh	619	613	
TS				
Target	GWh	641	626	
Achieved	GWh	619	613	
Total				
Target	GWh	2,179	2,195	
Achieved	GWh	2,100	2,118	
Average duration of interruptions per customer				
MN	min/year	272	321	EU 29 - SAIDI
TN	min/year	295	298	
TS	min/year	267	308	
Average number of outages per customer				
MN	outages/year	3.09	2.84	EU 28 - SAIFI
TN	outages/year	2.39	2.82	
TS	outages/year	2.94	3.01	

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10 GRI Content Index

GRI 102-55

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Glossary

ACUE	Federation of Energy Utility Companies Associations
GMS	General Meeting of Shareholders
ANRE	National Energy Regulatory Authority
B2B	Business to Business
B2M	Business to Many
BAR	Regulated Assets Base
BET	Bucharest Exchange Trading
BSE	Bucharest Stock Exchange
BD	Board of Directors
CBA	Collective Bargaining Agreement
CEPC	Code of Ethics and Professional Conduct
CGS	Corporate Governance System
CSR	Corporate Social Responsibility
DC	Direct Current
DER	Distributed Energy Resources
DR	Demand Response
DSM	Demand Management System
DSO	Distribution System Operator
EBITDA	Result before deduction of interest expenses, income tax, depreciation and amortization
EFSA	Electrica Furnizare S.A.
EL SERV	Electrica Serv S.A.
ELSA	Electrica S.A.
EU	European Union
SoLR	Supplier of Last Resort
GHG	Greenhouse Gases



GRI	Global Reporting Initiative
GD	Governmental Decision
ISO	International Organization for Standardization
HV	High Voltage
LV	Low Voltage
Km	Kilometer
kV	Kilovolt
kW	Kilowatt
OHL	Overhead Power Lines
UPL	Underground Power Lines
LSE	London Stock Exchange
RON mil	RON million
MV	Medium Voltage
OHSAS	Occupational Health and Safety Assessment Series
OPCOM	Operator of the Romanian Electricity and Natural Gas Market
PCB	Polychlorinated biphenyls
NP	Net Profit
PR4	4 Regulatory Period
TS	Transformer Station
RED	Electricity Distribution Grid
RES	Renewable Energy Sources
RON	Romania's national currency
RPA	Process Robotization by Automation
SAD	Electricity Distribution Automation System
SAIDI	System Average Interruption Duration Index



SAIFI	System Average Interruption Frequency Index
SCADA	Electricity Distribution Automation System
SDEE MN	Societatea de Distribuție a Energiei Electrice Muntenia Nord S.A.
SDEE TN	Societatea de Distribuție a Energiei Electrice Transilvania Nord S.A.
SDEE TS	Societatea de Distribuție a Energiei Electrice Transilvania Sud S.A.
SEM	Societatea Comercială Servicii Energetice Muntenia S.A.
SEN	National Energy System
RS	Reference Standard
TWh	Terawatt hour



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