rețele electrice

Sustainability Report

2023

Rețele Electrice Banat S.A.
contractarebanat.ro@reteleelectrice.ro

Rețele Electrice Dobrogea S.A.
contractaredobrogea.ro@reteleelectrice.ro

Rețele Electrice Muntenia S.A.
contractaremuntenia.ro@reteleelectrice.ro

Contents

1. Leadership message

Dear colleagues **and partners,**

Mihai Pește
General Manager of Rețele Electrice

Alessio Menegazzo
CEO & Country Manager

We are pleased to present the 2023 Sustainability Report, a strategic document that highlights our progress in modernizing and expanding distribution networks, our commitments to the environment, and our ongoing efforts to make a positive impact for our teams and the communities in which we operate.

In October 2023, the PPC Group completed the acquisition of Enel's operations in Romania, marking an important milestone in its regional growth and expansion strategy. This transaction represents a firm commitment to sustainable development by acquiring a significant portfolio of renewable projects and reconfirming the ambition to increase investments in electricity distribution networks. The three distribution companies received new names as a result of this transaction: Rețele Electrice Banat, Rețele Electrice Muntenia and Rețele Electrice Dobrogea.

Under the umbrella of the PPC Group, we will continue the extensive investment program, with the main purpose of transforming the energy sector in Romania into a decarbonated, digital, decentralized one. Customers will continue to benefit from quality services, the most advanced technology in terms of electricity distribution and digital services in communication with the company.

As part of the PPC Group we remain committed to creating shared value for the company, society and the environment. We focus on reducing the carbon footprint, carrying out operations with a positive impact on the environment and generating socio-economic value. At the heart of our sustainability strategy is the ambition to achieve climate neutrality by 2050, and investing in the resilience and flexibility of electricity grids to support the electrification of consumption remains one of the main objectives.

For Rețele Electrice, grid modernization and expansion efforts are crucial to better integrate renewable energy, thereby increasing the flexibility and stability of the energy system. This ensures energy security and more efficient management of energy flows and a higher quality of services for consumers.

At the same time, we understand the challenges that digitalization and extensive investments in distribution networks bring from the perspective of our teams. That is why we keep as main objectives in our strategy the building of teams ready to take over the additional flow of activity, the acquisition of new skills, but also the training of the new generations of professionals that the company needs to ensure a quality service for customers.

Health and safety at work remain fundamental priorities, which is why we are constantly striving to ensure a safe and healthy working environment for all our colleagues. We are committed to implementing the most rigorous measures possible and providing our teams with all the tools they need to carry out their work safely.

The year 2023 has been a year of significant changes and challenges for everyone. We thank all our employees, partners and communities for their continued support and collaboration. We are confident that together we will achieve our ambitious goals by playing an important role in the energy transition not only from a technological perspective, but also from the perspective of the well-being of our teams and the increased focus on customer relations, pursuing equitable development, in line with the UN principle of leaving no one behind.

2.
About the Sustainability Report

About the **Sustainability Report**

This Report captures the sustainability performance of the PPC Group's Rețele Electrice Companies and considers the results achieved during the 2023 fiscal year in terms of social, environmental, and economic impact, presenting in detail both their non-financial performance and how environmental, social and governance aspects are integrated into the business strategy.

The information presented addresses aspects related to environmental protection and climate change, but also aspects related to personnel, human rights, anti-corruption, and bribery, including a description of the business model, the policies on the aforementioned aspects, the minimum due diligence procedures applied, but also the main risks arising from the operations that Rețele Electrice companies carry out.

To improve their performance, Rețele Electrice companies monitor and report annually a series of key indicators on non-financial aspects.

The report provides information on the non-financial performance of the Rețele Electrice companies headquartered in:

- **Rețele Electrice Banat S.A.** - Timișoara, Str. Pestalozzi nr. 3-5;
- **Rețele Electrice Dobrogea S.A.** - Constanța, Str. Nicolae Iorga nr. 89A;
- **Rețele Electrice Muntenia S.A.** - București, Blvd. Mircea Vodă nr. 30

At the end of 2023 (October 25th), PPC Group announced the completion of the transaction through which it acquired the stakes held by the Enel Group in Romania, successfully completing its first major expansion on the foreign market. The completion of the transaction represents a landmark event for PPC's growth strategy, through the acquisition of a significant portfolio of renewable projects (both completed and under development), but also of the electricity distribution and supply operations in Romania.

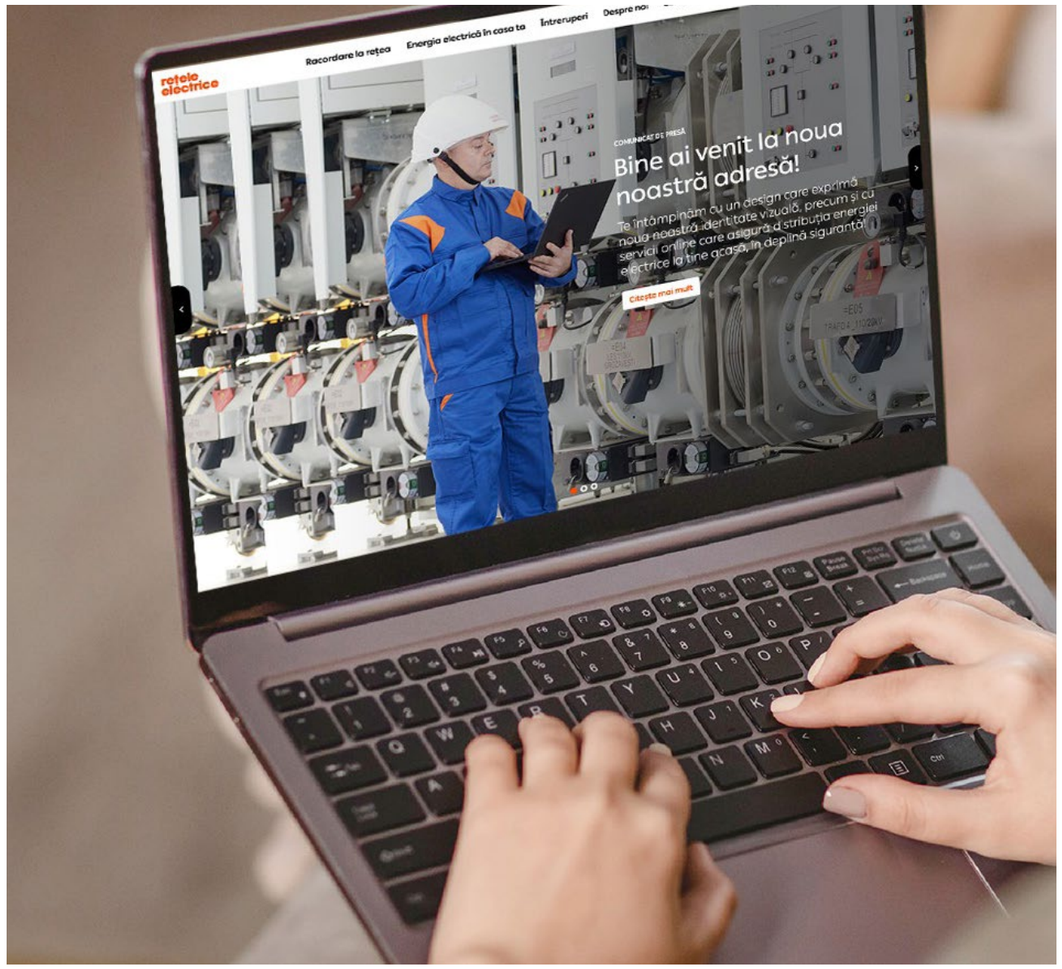
Following this acquisition, the distribution companies previously owned by the Enel Group, known as E-Distributie, were renamed Rețele Electrice. Thus, Rețele Electrice Banat, Rețele Electrice Muntenia and Rețele Electrice Dobrogea have become an integral part of the PPC Group since the end of last year.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standard[1] and complies with the provisions of the European Directive 2014/95/EU transposed into Romanian legislation by the Order of the Ministry of Public Finance No. 1938 of 17 August 2016, as amended.

The report integrates the results and data obtained through several independent analyses. (Analysis of GHG emissions using the GHG Protocol[2], Physical climate risk studies carried out locally in accordance with the methodology indicated by the EU Taxonomy by Regulation 852/2020, Analysis on alignment with the EU Taxonomy - the same regulation, Double materiality analysis in accordance with the ESRS (European Sustainability Reporting Standards) standard developed under the umbrella of CSRD (Corporate Sustainability Reporting Directive) – Corporate Social Reporting Directive).

The following chapters highlight the involvement and communication with the relevant actors of the Companies, as well as the material themes identified for 2023. The information presented is accompanied by methodological clarifications that allow a correct understanding of the materiality analysis process but also of its limits. The data and information presented in the report follow the material themes identified and are structured in line with the GRI indicators, as presented in the annex at the end of the report.

For the 2023 fiscal year, the sustainability report is not externally assured. You can send questions or suggestions regarding the content of this report to: sustenabilitate@ppcgroup.com.



1 GRI (Global Reporting Initiative) is the independent international organization that helps companies and other organizations take responsibility for their impact. The standards created by the organization provide companies with guides and instructions to report their impact as transparently as possible.

2 GHG (Greenhouse Gas Protocol) is an international standard used to measure and manage greenhouse gas (GHG) emissions. Developed through a collaboration between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the GHG Protocol provides a comprehensive framework to help organizations identify, calculate, and report their GHG emissions in a transparent and consistent manner.

3. Materiality Analysis

3.1 Double materiality **analysis framework**

Engagement with relevant actors is a key factor in creating long-term shared value and promoting a just, accountable and sustainable transition.

By engaging various categories of relevant actors, internal and external, the materiality analysis identifies the material topics for the Rețele Electrice companies, regarding ESG (Environmental, Social, and Governance) aspects (environmental, social and governance topics) along with the most significant impacts, risks and opportunities.

The materiality analysis of the Rețele Electrice companies was carried out taking into account the European Sustainability Reporting Standard (ESRS), together with the GRI 2021 Universal Standard, with the main purpose of carrying out a detailed analysis, which facilitates the identification, prioritization of the environmental, social and governance (ESG) aspects that are most relevant for the activity of distribution companies and for the stakeholders. This analysis is essential to ensure that a non-financial report is produced that accurately reflects significant impacts and concerns for long-term objectives and strategy, helping to measure the performance of Rețele Electrice companies from the perspective of ESG (Environmental, Social, Good Governance) verticals.

Carrying out a comprehensive analysis supports the identification of the most relevant ESG aspects not only in the reporting exercise, but especially in informing strategic decisions at the level of distribution companies.

Thus, Rețele Electrice companies internally capitalize on the multiple valences of the stakeholder consultation exercise:

- identifying the ESG issues with the greatest impact on the organization and relevant actors;
- prioritizing resources and efforts in the directions that matter most;
- increasing transparency and accountability in non-financial communication;
- integrating the ESG aspects revealed by the materiality analysis into strategic business decisions.

To carry out the materiality analysis process, two main directions were followed: a preliminary analysis and the consultation stage of the most relevant internal and external actors. The latter was divided into two distinct stages: the identification of relevant material themes with IROs (impacts, risks and opportunities) and the assessment of the financial impact.

3.2 Preliminary **analysis**

The preliminary stage pursued two main objectives: the creation of a complete map of the relevant key actors and the creation of a first list of material topics for the activity of distribution companies.

This stage consisted of:

Document analysis:

- previous non-financial reports, other internal and external reports and documents relevant to the determination of material themes for Rețele Electrice companies from the perspective of ESG verticals (e.g. Climate Study);
- analysis of the main trends in the ESG field;
- risk analysis carried out internally, within several departments in the organization that are responsible for identifying potential and current risks.

Identification of relevant ESG actors and material topics:

- holding two workshops with the Electric Networks team, both to outline the initial list of the most relevant internal and external actors together with the list of ESG topics relevant to the activity of Electric Networks companies;
- conducting in-depth interviews with managers from different business areas in order to validate the map of relevant actors and to assign the level of relevance to each identified category;
- defining the list of ESG material topics, following interviews with managers.

To establish the level of relevance by category of relevant actors, three main criteria were analyzed: dependence, influence and tension in their relationship with the Rețele Electrice companies.

Considering the complexity and dynamics of the ESG spectrum, the process was an iterative one, thus, a continuous calibration of the list of relevant actors and the process was chosen, to ensure a consultation as broad, inclusive and adapted to the various particularities as possible.

To measure the impact, it was decided to calibrate the results from the consultation of the most relevant actors and to carry out an in-depth analysis with key actors in the organization. Additionally, in cases where specialized studies and analyses were supported by precise calculations, the results were adjusted to align with the actual data.

3.3 Extensive consultation of **relevant internal and external actors**

General approach

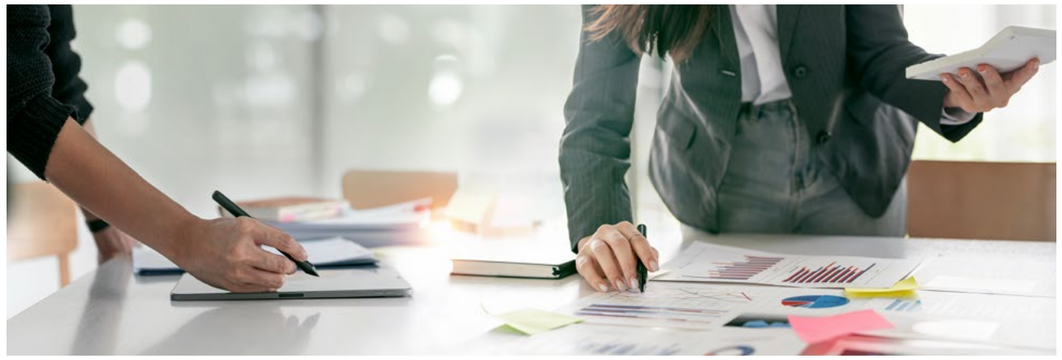
The choice of research method and sample for each category of relevant actors was determined by the following factors:

- the reference universe for each category of relevant actors;
- accessibility and response rate for each profile, based on previous experiences;
- mechanisms available for a correct identification of the limits of research without compromising the ability to capture as diverse perspectives as possible.

Therefore, a mix of qualitative and quantitative methods was chosen, which allows both an understanding of the different perspectives and the validation and calibration of the relevance and perceived impact of each ESG theme, on a representative sample of relevant actors both internal and external.

Although in the preliminary stage, central and local public authorities were defined as key relevant actors, in the context of the multiple electoral elections in 2024, their consultation would have entailed a series of limits that would be difficult to address, therefore, this category of relevant actors will be consulted in future processes.

A total of 2,000 relevant actors participated in the consultation, of which 485 internal and 1,515 external.



Categories of relevant actors consulted

Category	Consultation type	
	Quantitative	Qualitative
Employees of Rețele Electrice companies	✔	✔
Residential Customers	✔	✔
Corporate Clients	✔	✔
Prosumers	✔	✔
Vulnerable Customers		✔
Service providers and partners	✔	✔
Media		✔
Professional associations	✔	
Civil society	✔	✔
Public institutions relevant to the energy sector and ESG		✔
Banking institutions		✔
Relevant financial and ESG consultants		✔

3.4 Consultation **methods**

For the relevant actors in which the reference universe is a restricted one (e.g. banking institutions, media), in-depth interviews were chosen, to encourage participation on each type of targeted profile, aiming for a participation as representative as possible for the database.

For relevant actors with an extended reference universe (e.g. employees, customers), before the quantitative stage, it was decided to carry out focus groups with 4-6 participants per discussion, selected from the company's database, aiming to ensure various profiles (e.g. region, gender, age, seniority in the relationship with the company).

At this stage, they were consulted on the impact that the company has, both in terms of valence, positive vs. negative, and intensity, measured on a 5-step Likert scale: from very low impact to very high impact.

Depending on the profile of the relevant actors, different approaches were chosen for the quantitative phase, ensuring the best response rate and optimal representativeness:

- CATI (Computer Assisted Telephone Interviews) for classic B2C customers;
- CAWI (Computer Assisted Web Interviews), an online questionnaire sent to all Rețele Electrice employees and household prosumers in all three regions (Muntenia, Dobrogea and Banat).

In carrying out the questionnaires used in the quantitative phase, the aim was to limit subjective influences through a phased assessment of the degree of understanding of ESG topics.

The research tools used were built to ensure a high degree of objectivity in the approach, starting from the conclusions of the preliminary stage (key relevant actors, relevant ESG themes, channels, etc.). For the same reasons, the consultation of the relevant actors started with qualitative methods followed by quantitative ones. Thus, the relevant material themes for each category of relevant actors were identified and understood before the development of the questionnaires used in the quantitative phase.

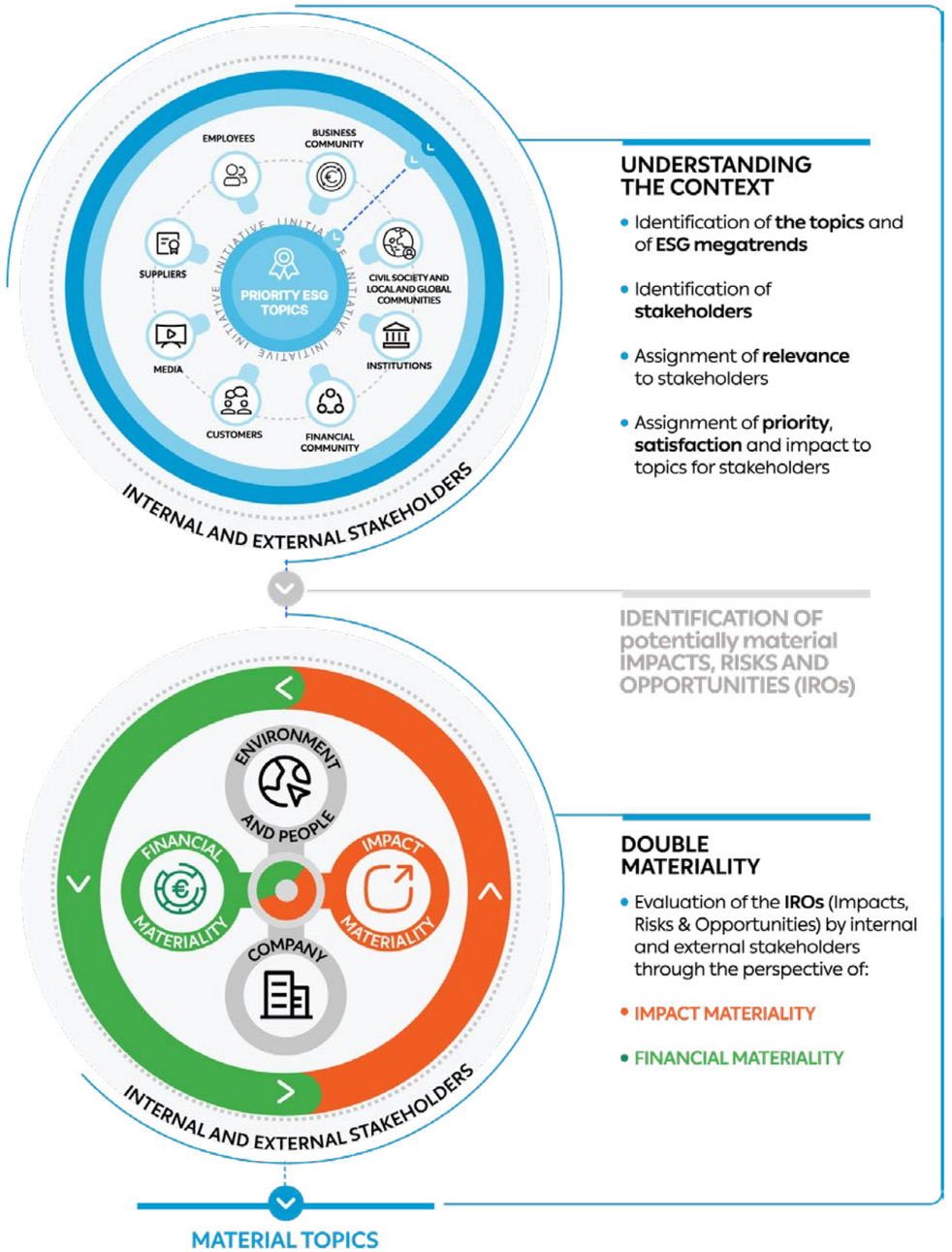
In calculating the estimated material impact score, the quantitative analysis included the calibration of the results (when a mix of methods was used) and the weighting of stakeholder perspectives according to the assigned level of relevance and the degree of understanding of the ESG themes assessed. The company's strategic orientations and the contributions of experts from inside and outside the organization who participated in the consultation were also considered.

Both in the development of the research tools (interview and questionnaire guides) and in the analysis of the data obtained from the qualitative and quantitative stages, several central directions were followed:

- identification of material impacts, risks and opportunities (IROs) for the Rețele Electrice companies;
- identifying the financial materiality associated with risks and opportunities by consulting a small sample, including relevant actors with specific and complementary expertise for financial impact assessment;
- exploring the degree of understanding and importance given by relevant actors to the topics associated with ESG verticals.

After identifying the material topics in the consultation phase of the relevant actors, an analysis was carried out that took into account the following aspects:

- **Scale**: impact size;
- **Scope**: impact area;
- **Irreversibility**: the extent to which an impact can be mitigated by assessing how permanent the impact is and the potential for remediation.



3.5 Material topics **and impacts**

ENVIRONMENT	Climate › Mitigating change › Adaptation to climate change	Biodiversity › Flora and fauna	Circular economy › Waste management
SOCIAL	Employees › Health and safety at work › Salary level and equity › Volume and distribution of work and work-life balance › Professional development	Customers › Time and quality of responses to written requests and transparency in the relationship with customers › Protection and confidentiality of customer data	Communities › Relationship with the vulnerable customer
GOVERNANCE	Business Conduct › Compliance with laws and regulations › Fairness, business ethics and transparency in business › Value chain management		
CROSS-CUTTING TOPICS	Digital transformation › Digitization › Cybersecurity	Energy Transition › Network development and modernization	Quality of distribution service › Promptness and efficiency in the connection process, SAIDI/SAIFI

Next, the impact and opportunities associated with the material themes will be presented. The risks revealed in the analysis will be presented in the chapter "Risk Management".

Impact Description	Impact Type	Duration	Impact management	Positive/ Negative
ENVIRONMENT				
Operational activities and works on the electricity distribution network can have a significant impact on the local flora and fauna. The installation and maintenance of equipment and power lines can disrupt natural habitats, affecting various species. Also, the large number of projects to modernize and expand networks can have an impact on flora and fauna.	Actual & Potential		Rețele Electrice companies have implemented a sustainable business model that brings value to the community and is committed to meeting the Goals of the 2030 Agenda for Sustainable Development. Thus, it protects biodiversity through initiatives such as efficient waste management and the protection of species on the IUCN Red List. It also contributes to the conservation of natural habitats in the Danube Delta Biosphere Reserve. A specific program is dedicated to the conservation of the white stork, protecting birds from electrocution and monitoring their populations. Details in the Biodiversity chapter.	+
Although electricity distribution is considered an activity with relatively low greenhouse gas emissions, there are also emissions in this sector. They mainly come from energy losses in the grid, the use of maintenance equipment and the operation of vehicles used for repairs and monitoring.	Actual & Potential		Rețele Electrice, contributes to the energy transition by investing in the distribution network. These investments support the acceleration of renewable energy production and consumption, as well as energy efficiency, by revising the economic model and circularity aspects. One of the commitments of Rețele Electrice is the transformation of the car fleet by replacing fossil fuel vehicles with electric vehicles, a process that has already begun and will continue in the coming years. Details in the Environment chapter.	+

Impact Description	Impact Type	Duration	Impact management	Positive / Negative
ENVIRONMENT				
The large number of interventions and projects to modernize the networks can contribute to the generation of waste. These include building materials, old equipment, cables and other components used in the distribution and maintenance process of electrical networks. Proper management is essential to reduce environmental impact.	Actual & Potential		The Rețele Electrice companies comply with the legislation on environmental protection and have implemented a certified integrated waste management system. All categories of waste generated are detailed in the Waste Management Plan. Based on this plan, a program of measures was developed to prevent and reduce waste generation. This program includes a series of measures aimed at preventing and reducing the amount of waste generated, thus contributing to the protection of the environment. In 2023, about 98% of hazardous waste was recovered. Details in the Environment chapter.	+
SOCIAL				
The protection and privacy of customer data is becoming an essential aspect in the context of accelerating digitalization. Data collection and management are critical for operational efficiency and service improvement. In this context, companies must ensure that customer data is protected.	Actual & Potential		Distribution companies treat and manage employee information with great rigor, ensuring a high level of confidentiality in accordance with local regulations and general data protection policies. Details in the Governance chapter.	+
The acceleration of digitalization in all economic sectors has increased customer expectations regarding response time and accessibility of communication channels. Customers now expect quick responses and digital channels. This leads to a high degree of dissatisfaction when there are delays in communicating with them.	Current		In recent years, distribution companies have intensified efforts to offer various digital channels through which customers can access relevant information. This information includes the map of planned outages and the customer account, where various relevant data can be accessed. Also, new channels have been introduced, such as the quick online form, available on the website, or the virtual visit for the connection process. Details chapter Customer Relations.	−
Vulnerable customers, such as electrodependent consumers who depend on electricity supply, can face major challenges in the event of power outages, requiring increased attention in relation to them.	Current		Distribution companies have developed a process dedicated to vulnerable customers for whom electricity supply is vital. A database has been created with all electrodependent customers powered by Rețele Electrice. It is constantly updated to avoid any unpleasant situation. In addition, there is a telephone line dedicated to them, which cannot be disconnected. In the event of planned outages, they are provided with another power source.	+
The lack of qualified personnel on the labor market puts additional pressure on the operative staff, increasing the risk of accidents at work. The energy transition and the large number of interventions required accentuate this risk, leading to accidents among employees.	Actual & Potential		Rețele Electrice implements a plan that includes strict compliance with safety and protection regulations, investments in protective equipment, periodic training and inspections, as well as the modernization of the distribution network. In addition to these measures, there is a plan to resize the teams and attract new professionals from the market, in order to reduce the pressure on the existing staff. For more information, see the chapters Occupational Health and Safety and Our People.	−
In an increasingly dynamic labor market, companies must respond quickly to technological and economic changes. This context highlights the need to provide continuous training to employees in order to develop their skills and prepare them for the new demands that may arise in the workplace. Training is essential not only to maintain the competitiveness of organizations, but also to ensure equal access to professional development opportunities for all employees.	Actual & Potential		Rețele Electrice is committed to developing employees' skills through a rigorous training process, offering an inclusive work environment, promoting the principles of equal opportunities. They ensure access to the necessary resources for the development of skills, under the guidance of leadership adapted to individual needs, facilitating the transition to new functions and responsibilities and preparing them for future challenges. It provides opportunities to improve skills and knowledge through annual training courses, promoting both professional and personal development. For more information, see the Our People chapter.	+

Impact Description	Impact Type	Duration	Impact management	Positive / Negative
CROSS-CUTTING TOPICS				
The energy transition is fundamental to ensuring a sustainable future, and electricity distribution companies play a key role in this process. They need to adapt quickly and take effective measures to support the transition to renewable energy sources.	Actual & Potential		By investing in the modernization and expansion of electricity grids, supported both by the Investment Plan approved by ANRE, and by attracting various types of non-reimbursable funds, Rețele Electrice facilitates the integration of renewable energy sources and ensures a robust and efficient infrastructure for the future. For more information, see the Network Modernization chapter.	+
Promptness and efficiency in the connection process are essential for customer satisfaction and for the overall performance of electricity distribution companies. Performance indicators such as SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) reflect the quality and continuity of the services offered. The increase in customer expectations and the need for speed in connection require companies to optimize processes and reduce the time needed to connect to the grid, thus ensuring a prompt and efficient service.	Actual & Potential		In the context of the high demand for grid connection requests and the current strict regulations, distribution companies are constantly implementing measures to streamline the process. Being a very well regulated process, it requires the intervention and contributions of several actors, in addition to distribution operators. The complexity of the process and the involvement of different parties can lead to delays in connecting the end consumer to the grid. By constantly monitoring performance indicators, distribution companies try to reduce these difficulties and manage requests as best as possible.	−

ABOUT MATERIALITY STRATEGY PEOPLE HEALTH PERFORMANCE MODERNIZATION ENVIRONMENT COMMUNITIES TAXONOMY APPENDIX

Impact Description	Impact Type	Duration	Impact management	Positive / Negative
CROSS-CUTTING TOPICS				
	Actual & Potential		Rețele Electrice companies constantly implement measures to reduce the SAIDI and SAIFI indicators, including the installation of smart meters (having the most meters of this type installed nationwide), the modernization and automation of the network, and preventive maintenance programs. These measures allow continuous monitoring of consumption, rapid location of faults and prompt intervention, improving the reliability and quality of electricity distribution services by reducing the duration of outages even below the targets set at ANRE level.	+

3.6 Opportunities

Digitalization offers major opportunities to the business environment, significantly contributing to increasing operational efficiency and reliability. Automating repetitive processes helps reduce human error and increase efficiency, leading to lower costs and improved response to market demands.

Real-time data analysis also optimizes processes and makes it easier to make quick and informed decisions. The use of big data and analytics can provide companies with valuable information for identifying trends, forecasting consumption and improving services.

Digital technologies also allow for more effective communication in the relationship with customers, contributing to their satisfaction. These advantages make digitalization an essential factor for competitiveness and long-term success.

Opportunity management:
Rețele Electrice companies attach increased importance to developments in information systems. In this regard, there is an increased interest in the digitization and automation of processes, pursuing several main objectives:

- Increasing efficiency in commercial relations by digitizing the processes and flows used in the relationship with suppliers, consumers and prosumers, faster services dedicated to these relevant actors, and on the other hand an implementation of platforms in order to optimize the operation of the network and its monitoring;
- Digitalisation of platforms in order to optimize grid operation and monitoring, contributing to the reliability and resilience of electricity grids;
- ERP (Enterprise Resource Planning) through the efficient management of all processes and resources throughout the organization.

A **sustainable value chain** improves the company's reputation by strengthening the relationship with suppliers and redefining the framework for evaluating the relevant ESG (Environmental, Social, and Governance) factors in the supplier selection process represents a major opportunity for distribution companies. This strategy not only supports a sustainable environment and value chain, but also strengthens the company's position as a responsible leader in its industry. By prioritizing suppliers that meet ESG criteria, companies can reduce operational and reputational risks while promoting ethical and sustainable business practices.

Opportunity management:
Rețele Electrice companies already have a mechanism for evaluating suppliers based on specific ESG KPIs and as a good practice, include Sustainability K-factors in the requirements of the procurement processes where they are relevant. Through these tools, suppliers are required to demonstrate commitment to respect for Human Rights, decent working conditions, compliance with safety and environmental standards, anti-corruption practices, business ethics rules, and others.

In addition, Rețele Electrice aims to strengthen the ESG framework in the relationship with suppliers, develop existing tools and build an updated library of Sustainability K-Factors, but above all, explore how it could contribute through concrete measures to a better understanding of the ESG framework and the minimum necessary measures among its partners and suppliers.

Research boundaries

Within the analysis, a series of challenges arose that affected the dynamics and results of the research. The complexity of the topics addressed and the low level of knowledge on ESG topics, according to the Reporting Standards, among the relevant actors involved, generated difficulties in both qualitative and quantitative analysis, requiring the calibration of the final results.

The recruitment of relevant actors such as suppliers, B2B customers (economic agents), other distribution operators and associations, was problematic, as they showed little willingness to participate in the consultation. The local political context, marked by electoral elections, led to the postponement of the consultation of central and local authorities, although in the preliminary phase they were defined as key relevant actors.

Access to relevant actors in the social area, such as vulnerable communities and electricity consumers without a connection contract, was limited for legal reasons, which required an indirect understanding of these through relevant domestic actors.

Confusion between distribution and supply activities among the relevant actors consulted led to difficulties in identifying relevant information. At the same time, the transition from ENEL to PPC added to the confusion, as the participants were not familiar with the company's new status.

Conducting a robust research study, involving multiple categories of relevant actors, has brought considerable challenges in time management, extending the duration required to complete the research and necessitating adjustments to the process t. Also, the diverse profile of the relevant actors required a qualitative approach, suitable for many of them, which complicated the standardization of results for comparability and calibration between qualitative and quantitative components.

These limitations underline the need for continuous methodological adjustments and better preparation of participants to increase the validity of the research.

4.
Our sustainable business model

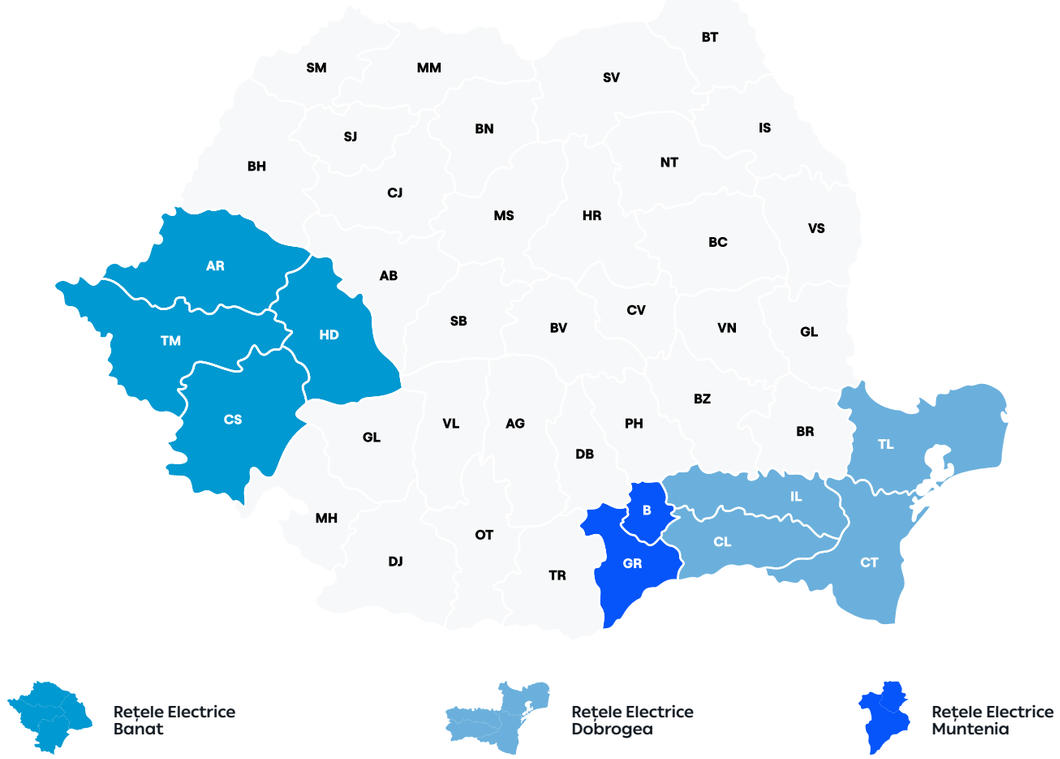
4. Our sustainable **business model**

The companies Rețele Electrice Banat, Rețele Electrice Dobrogea and Rețele Electrice Muntenia are part of the PPC group's portfolio, this group being one of the largest integrated energy groups in Romania.

PPC is one of the most important companies in the energy market from South-Eastern Europe, operating in the production, distribution and sale of electricity in Greece, Romania and North Macedonia. With a total capacity of 10.7 GW, it is one of the leading electricity suppliers in the region, serving 8.7 million customers and supplying more than 35 TWh of energy.

Currently, Rețele Electrice companies cover about a third of the local distribution market and manage electricity networks with a total length of approximately **133,000 kilometers**, in three important regions of the country: Muntenia, Banat and Dobrogea.

- **Rețele Electrice Banat** manages the network in the counties of Banat - Timiș, Arad, Hunedoara and Caraș-Severin;
- **Rețele Electrice Dobrogea** manages the network in the counties of Dobrogea - Constanța, Călărași, Tulcea and Ialomita;
- **Rețele Electrice Muntenia** manages the network in the Muntenia - Bucharest area, Ilfov and Giurgiu counties.



Rețele Electrice companies assume responsibility towards the communities they serve, towards the environment, employees and customers. Their commitment is to have a positive impact by increasing the resilience of distribution networks, reducing carbon emissions and ensuring a quality service in line with the new needs that are generated by the acceleration of the energy transition.

By working with relevant actors, the companies can bring meaningful change by investing in initiatives that support the transition to renewable energy and improve energy infrastructure, helping to create a healthier environment and protect natural resources. The companies' policy in this area is based on the Integrated Management System for Quality, Health and Safety at Work, Environment and Energy, within which[3] specific and quantifiable objectives are established through the integrated management program.

Digital transformation is among the main objectives of Rețele Electrice and is managed through significant investments in modernization projects.

Through this transformation, the networks become more resilient, thus identifying and fixing faults becomes simpler through fast interventions, even remotely.

The network of distribution companies includes high and medium voltage (IT/MV) transformer stations, medium and low voltage (MV/LV) transformer substations, power supply points, overhead and underground power lines for high, medium and low voltage, meters and metering and protection blocks. In total, these networks comprise **286 transformer stations** and distribute approximately **15 TWh** of electricity annually through high, medium and low voltage power lines.

The companies are responsible for ensuring the continuity of the electricity distribution service for over 3,100,000 customers and have responsibilities in terms of metering activity, including periodic meter readings, replacing them in case of defects or according to modernization plans. Rețele Electrice ensure every day that all the necessary measures are taken to comply with quality distribution services for all customers connected to the grid, but also for new consumers.

The main services provided by the Rețele Electrice companies are:

- **Grid connection** - connecting customers to the electricity distribution grid;
- **Distribution of electricity** to customers connected to the grid, depending on specific characteristics, such as the required power and voltage;
- **Measurement activity**, which involves the installation and maintenance of meters, monitoring and reporting of electrical measurements.

3 These objectives facilitate the improvement of the processes and systems that lead to the obtaining, maintenance and renewal of ISO certifications. In order to maintain performance in the areas of Quality, Occupational Health and Safety, Environment and Energy, the following objectives have been set: • Improving the quality of service by reducing the duration and number of interruptions for customers; • Increasing safety in the operation of installations, ensuring the well-being, health and safety of employees, collaborators and customers; • Reducing the impact of distribution facilities on the environment; • Reduction of technical and commercial losses in the electricity grids.

Rețele Electrice Companies in figures

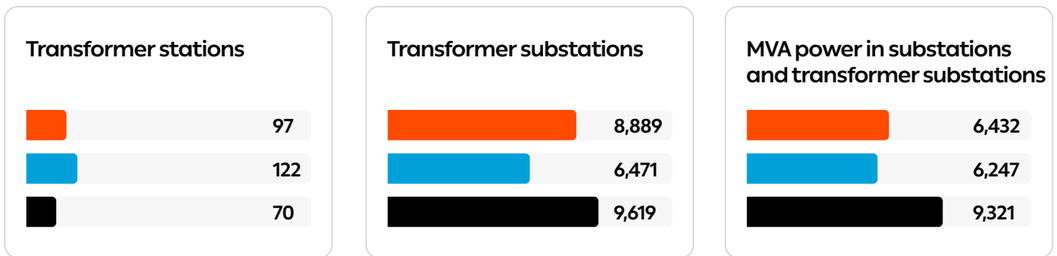
Customers supplied by Rețele Electrice companies at the end of 2023

	Residential Customers	Business Customers	Total
Rețele Electrice Banat	886,022	73,609	**959,631**
Rețele Electrice Dobrogea	645,196	51,527	**696,723**
Rețele Electrice Muntenia	1,406,979	74,605	**1,481,584**

Amount of energy distributed in 2023 by Rețele Electrice companies (MWh)

	High Voltage	Medium Voltage	Low Voltage	Total
Rețele Electrice Banat	491,950	1,651,239	2,111,827	**4,254,517**
Rețele Electrice Dobrogea	901,030	943,024	1,737,353	**3,581,407**
Rețele Electrice Muntenia	250,264	3,004,779	4,059,423	**7,314,467**

Network elements



Vision and values

At the core of PPC Group's vision is supporting and increasing clean energy capacities and the ambition to build a sustainable future for all. PPC Group is the largest clean energy company in South-Eastern Europe, creating value for the region, consumers and the environment. One of the main pillars of transformation for the Group is the modernization and digitalization of its distribution networks through the adoption of new technologies.

Under the umbrella of the PPC group, Rețele Electrice aims to maintain a modern and sustainable electricity grid, facilitating the transition to a low-carbon economy.

Through local objectives, distribution companies aim to develop an intelligent, resilient infrastructure capable of efficiently integrating renewable energy sources, dynamically responding to consumer needs.

Through the fundamental values of **integrity, honesty, respect for customers, society and the environment, fairness and professionalism**, is committed to providing energy distribution solutions that not only meet current requirements, but also pave the way for a sustainable future.

These principles guide their decisions and actions, ensuring a positive and sustainable impact on the environment and the communities they serve, in line with the European Union's 2050 climate neutrality goals.

Certifications, groups, association

Rețele Electrice companies actively contribute to the sustainable development of the energy sector and the economy, being members, through local organizations, or through the PPC Group, in various relevant associations and networks at local and European level. Their participation in EDSO and Eurelectric is essential to achieve these objectives.

EDSO (European Distribution System Operators), is the entity that plays a crucial role in the development of the relevant Network Codes and Guidelines for distribution system operators (DSO) networks, makes contributions on optimal and coordinated approaches to network planning and operation and provides a space for the exchange of experience and best practices on topics relevant to the energy transition.

Also, Eurelectric, the federation of the European electricity industry, makes a significant contribution to facilitating the energy transition at European level by promoting clean energy. Eurelectric studies and disseminates information on policies and processes in the energy sector, providing well-informed information for decision-makers and other relevant actors.

By participating in the various professional entities specific to the energy industry, distribution companies contribute to social dialogue, strengthening a business environment favorable to the energy sector, which promotes sustainable economic growth and the development of a robust and sustainable energy sector.

Federation of Associations of Energy Utility Companies (ACUE)

Concordia Confederation (via ACUE)

Foreign Investors Council (FIC)

World Energy Council - Romania National Committee (CRE-CME)

American Chamber of Commerce (AmCham)

Romanian Energy Center (RECC)

Romanian Wind Energy Association (RWEA)

Romanian Association for the Promotion of Energy Efficiency (RAPEE)

Coalition for the Development of Romania (CDR)

Energy Policy Group (EPG)

DSO Entity

Romanian Photovoltaic Industry Association (RPIA

Eurelectric

ABOUT MATERIALITY STRATEGY PEOPLE HEALTH PERFORMANCE MODERNIZATION ENVIRONMENT COMMUNITIES TAXONOMY APPENDIX

Awards

Electrician's Trophy

The Electrician's Trophy competition, a prestigious event in the Romanian electricity sector, has reached its 41st edition and took place this year in Timișoara. Organized by Rețele Electrice Banat, this edition brought an important prize for Rețele Electrice, which won the big trophy in the Electricity Distribution category.

The employees of Rețele Electrice also obtained three first places on the team in the specializations: Operation of transformer stations, PRAM and Operation of Medium Voltage and Low Voltage networks.

For the first time, the 2023 Electrician's Trophy introduced a new test dedicated to young electricians, the Junior Electrician's Trophy. 12 high school students participated in this category, each distribution operator participating with a team of three students who are preparing to become professionals in this field. This new segment underlines the commitment of distribution companies to supporting and training new generations of electricians.

Energy Awards Gala

The publication The Diplomat-Bucharest offered the Rețele Electrice companies the award for Innovation in energy, at the 2023 Energy Awards Gala. This award is a recognition of the constant efforts that distribution companies make for increased resilience but also for ensuring a service with a high degree of performance.

Lady Lawyer Gala 2023

At the Lady Lawyer 2023 gala, organized by the publishing group „Universul Juridic", Alina Dumitrașcu (Head of Legal and Corporate Affairs) was awarded for her exceptional performances in the legal field, as well as for the constitutional literacy and equal rights projects she carries out.

4.1 Organization governance **and management**

The governance structure of Rețele Electrice companies is based on international best practices, with a focus on independence, transparency, inclusiveness and accountability. It is integrated into the strategic and operational processes, ensuring efficient management in accordance with the purpose and values of the Rețele Electrice companies.

They have the mission to create value, considering the needs of customers, investors and all relevant actors. The activities are carried out for the community's benefit, respecting the environment, health and safety of people, considering the responsibility towards future generations.

The corporate governance model of Rețele Electrice ensures the proper integration of sustainability aspects into the relevant decision-making processes of the company. This is achieved by clearly defining the tasks and responsibilities of corporate governance bodies.

The management at the level of the companies is ensured by the Board of Directors and the General Meeting of Shareholders, in accordance with the Article of Incorporation and the Companies Law 31/1990. These bodies play a significant role in corporate governance, have competences related to the strategic, organizational and control policies of companies and pursue their sustainable success.

The remuneration policy is established by the General Meeting of Shareholders, which has a fixed remuneration for the Board of Directors members. This remuneration is determined according to their participation in at least one monthly meeting.

The members of the Board of Directors are selected according to their professional experience, based on the proposals made by the shareholders. They set the strategic direction and development modalities of the companies, approve the business plan and any subsequent changes, including proposals for the overall strategy of the companies, review, modernization and restructuring of the governance and management of the organization, and supervise the work of the managers in the companies.

The Board of Directors has the possibility to delegate the management of the company to one or more directors, one of whom may be appointed General Manager in accordance with the legislation in force.

In the case of the three distribution companies, the Board of Directors delegated the management to Mihai Pește, as General Manager, and appointed Răzvan Popescu as Chief Financial Officer, and Andreea Lăzăroiu fulfills the role of Purchasing Director of the companies.

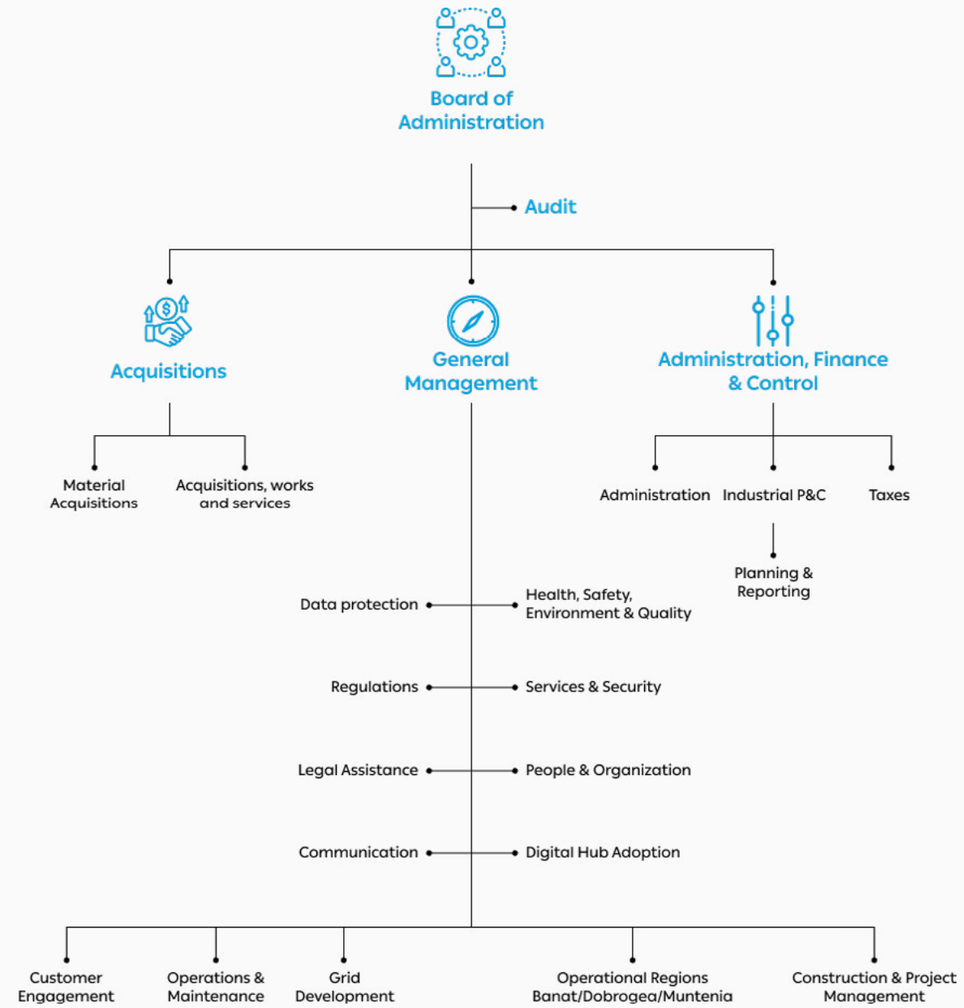
The Board of Directors of the companies supervises the activity of the managers to ensure the effectiveness of the risk management processes for economic, environmental and social subjects.

The General Meeting of Shareholders established a fixed remuneration for the members of the Board of Directors of distribution companies that depends on their participation in at least one meeting per month. The ratio of total annual compensation for the highest paid person in the organization to the median total annual compensation for all employees is

	Work objective	Shareholding structure
Rețele Electrice Banat S.A.	Electricity distribution	PPC SA (75,1317%), Societatea de administrare a participațiilor în energie (24.8683%)
Rețele Electrice Dobrogea S.A.		PPC SA (75,097%), Societatea de administrare a participațiilor în energie (24.9033%)
Rețele Electrice Muntenia S.A.		PPC SA (90%), Societatea de administrare a participațiilor în energie (10%)

5.58, with an average percentage increase in total annual compensation of 0.42, across the 3 companies.

The three distribution companies are organized on the model below:



4.2 Ethics and best **business practices**

In the Rețele Electrice companies, the activity carried out is regulated by internal policies, which aim to prevent corruption and conflicts of interest.

To maintain a professional environment that is as responsible, fair, transparent and equitable as possible, distribution companies have adopted a code of **ethics** policy through which they undertake to comply with a series of rules based on the principles mentioned before. The activities of the Rețele Electrice companies are supported by a solid ethical foundation: its constantly evolving nature aims to strengthen it by adopting best practices at national and international level. Everyone who works at Rețele Electrice and for Rețele Electrice must respect and apply these practices in their daily activities.

Distribution companies handle employee privacy information with great rigor to ensure a high level of privacy in accordance with local regulations and general data protection policies.

This system of operation of activities is based on specific compliance programs, such as: Code of Ethics, Zero Tolerance Plan for Corruption (ZTC Plan), Compliance Program, Anti-bribery Policy. The Code of Ethics is divided into:

- general principles for relations with relevant actors, which define the values that companies use as inspiration in carrying out their various activities.
- the criteria of conduct towards each class of relevant actors, which provide the guidelines and standards that the people of Rețele Electrice are required to follow to ensure compliance with the general principles and to prevent the risk of unethical behavior.
- implementation mechanisms describing the control system designed to ensure compliance with the Code and its continuous improvement. Retele Electrice companies also requires all subsidiaries and branches, main suppliers and partners to adopt ethical behavior in accordance with the general principles of the Code.

Without modifying the provisions of these compliance programs and the specific regulatory provisions applicable to the offense of corruption in all its forms, the Compliance Program adheres to the main relevant legislation and the best corporate governance practices, constituting the general framework of conduct for the employees of Rețele Electrice in the fight against corruption.

The Compliance Program has been adopted by the Board of Directors for all Rețele Electrice companies. The Internal Audit function monitors the application of compliance programs and provide periodic updates on relevant issues.

By running standard programs to identify the areas with the highest exposure to corruption (active and/or passive), both in relations with public administrations and in the private sector, a number of activities with a degree of risk are highlighted.

In relation to these areas, the governance instruments (ZTC Plan, Code of Ethics and Compliance Program) – together with the current body of procedures – establish an effective prevention system, which is an integral part of the Companies' Internal Control System.

ABOUT MATERIALITY STRATEGY PEOPLE HEALTH PERFORMANCE MODERNIZATION ENVIRONMENT COMMUNITIES TAXONOMY APPENDIX

Another internal mechanism that ensures a transparent framework that provides for the observance of minimum due diligence in relationship with both internal and external relevant actors is the human rights policy, adopted by decision of the Board of Directors, at the level of all three distribution companies. The policy complies with the Guiding Principles on Business and Human Rights set out in the Protect, Respect and Remedy Framework defined by the United Nations and in line with the OECD Guidelines for Multinational Enterprises.

In addition, the relationship with suppliers is managed by complying not only with good procurement practices, in accordance with the legislation in force, but also by including essential references to the ethical documents adopted by Rețele Electrice in the contracts concluded with them. Each signed contract includes specific clauses that refer to the Code of Ethics, emphasizing the commitment to integrity and transparency. Also, the Zero Tolerance Plan for Corruption (ZTC Plan) is a critical component, ensuring that all parties involved adhere to strict standards for preventing and combating corruption.

Moreover, the Human Rights Policy ensures respect for the fundamental rights of all employees and collaborators. Through this comprehensive approach, the company not only protects its interests and reputation, but also actively contributes to promoting an ethical and responsible business environment, strengthening trusting relationships with external suppliers.

Data protection

At the level of the Rețele Electrice companies, a system for information security management has been developed according to the requirements of the ISO 27001:2018 and ISO 27701:2019 standards.

During the reporting period (2023), no fines were recorded in connection with the General Data Protection Regulation (GDPR) and several series of employee trainings were organized.

Reporting mechanisms

Any violation or alleged violation of the Compliance Programs could be reported anonymously through the secure platform "Point of Ethics" until October 25, 2023.

With the exit from the Enel group, access to this platform was interrupted. However, any violation or possible violation could be reported using the email address codeticromania@enel.com by the end of 2023. Rețele Electrice companies guarantee the anonymity of reports and protection against retaliation, while ensuring protection against unfounded or bad faith reports with the aim of harming individuals and/or companies.

Further, as an expression of the full and unconditional commitment to carry out their activity in compliance with business integrity standards, the companies in the PPC group will provide a dedicated platform, through which any deviations can be reported, ensuring the confidentiality of the reports and protection against retaliation codeticromania@enel.com.

Anti-bribery management system

In 2022, the external audit was carried out by RINA SIMTEX and the certificate confirming the implementation and maintenance of the anti-bribery management system according to the conditions of SR ISO 37001:2016 was obtained, and at the end of 2023 these certificates were updated.

Rețele Electrice have adopted an anti-bribery policy whereby, while carrying out their activity, they undertake to comply with all the principles of the Code of Ethics, the Zero Tolerance Plan for Corruption and the Compliance Program, which are the main pillars of the anti-bribery management system.

In this regard, all 20 processes (100%) of the Rețele Electrice operations were assessed for the risk of corruption. During the reporting period, there were no corruption-related incidents.

Rețele Electrice Companies are committed to pursuing the following general objectives of preventing and combating corruption:

- the absolute prohibition of engaging in conduct that can be regarded as corruption or attempted corruption
- strict compliance with the laws in force on preventing and combating corruption
- implementation of an Anti-Bribery Management System according to the ISO 37001:2016 standard, meant to provide protection against corruption and continuous improvement of its own activities
- encouraging the notification of possible corrective actions, making available to its staff and stakeholders the tools for reporting behaviors that do not comply with the Company's internal policies, protecting the persons who make such complaints against possible retaliations
- prosecuting any behavior that does not comply with the anti-bribery policy, subject to the application of the system of sanctions against the Company
- the presence of an Anti-Bribery Compliance Committee, composed of representatives of "Audit", "Legal and Corporate Affairs", "Health, Safety, Environment and Quality", which is granted full authority and independence
- awareness and training of its employees on issues related to the prevention of corruption

All members of the Board of Directors in each region are informed about the main documents: Zero Tolerance Plan against Corruption (ZTC Plan), Global Compliance Program or Code of Ethics. During the period, when a new member is appointed to the Board of Directors, he or she is made aware of all these policies and mechanisms.

Training offered to employees

Training Compliance Program	Rețele Electrice Banat	Rețele Electrice Dobrogea	Rețele Electrice Muntenia
Management	36	38	109
Foremen	22	31	38
Workers	130	152	918
Tesa	245	206	364
Total	**433**	**427**	**709**

Anti-corruption training	Rețele Electrice Banat	Rețele Electrice Dobrogea	Rețele Electrice Muntenia
Management	37	36	99
Foremen	18	27	30
Workers	67	97	93
Tesa	222	188	343
Total	**344**	**348**	**565**

Code of Ethics Training	Rețele Electrice Banat	Rețele Electrice Dobrogea	Rețele Electrice Muntenia
Management	34	37	103
Foremen	24	27	38
Workers	119	84	161
Tesa	259	214	363
Total	**436**	**362**	**665**

Anti-corruption training communicated to partners

	Meter reading partner	Measure activity partner	Total
Rețele Electrice Muntenia	190	0	**190**
Rețele Electrice Banat	190	10	**200**
Total	**380**	**10**	**390**

In the General Business Conditions attached to each contract, the ethical clauses that must be respected in the performance of the contracts are mentioned. All procurement contracts concluded contain ethical clauses relating to the organization's anti-corruption policies and procedures.

Precautionary principle

Corporate Governance Guidelines have been adopted at the level of the companies' Board of Directors, and there are also other specific compliance programs at company level, adopted in accordance with the applicable legal provisions, such as the Code of Ethics, the Human Rights Policy, the Zero Tolerance of Corruption Plan (ZTC Plan).

The implementation of an internal control system is one of the most important elements of strategic management as it aims at identifying, evaluating, correctly managing in accordance with the best practices at international level, continuous monitoring, controlling the main risks from the corporate perspective, which may arise at the level of distribution companies, as well as the continuous improvement of the practices applicable at the level of companies. The Internal Audit Unit oversees continuously supervising activities that may generate critical concerns.

This control system mainly ensures the following operations:

- strict, clear and transparent definition of the responsibilities and duties of the key persons involved in the decision-making process at the corporate level, thus avoiding overlap and ensuring good coordination between the designated persons, both at the level of the business units and at the level of the entire company, in accordance with the targets set by the company's Board of Directors.
- separation of activities to limit, as far as possible, the occurrence of any conflicts of interest.
- familiarizing all company employees with the applicable internal provisions (e.g. the Code of Ethics, the Zero Tolerance Plan for Corruption and the Anti-Corruption Policy, facilitating access to these documents by posting them on the Intranet, as well as immediately informing them of changes in relation to these documents).
- the establishment of an internal control unit (Internal Audit) that operates independently of the other organizational structures and whose role is to implement the various policies applicable at the level of the organization, to periodically review these policies and other organizational documents that affect the roles assigned within the company, as well as to ensure compliance with the rules applicable at the level of the organization.
- informing the Board of Directors about relevant issues arising during the company's activities.
- involvement of the Board of Directors in the decision-making process regarding topics of strategic importance for the company in accordance with the applicable legal provisions and the provisions of the Regulations for the conduct of the meetings of the Board of Directors.

Compliance with applicable laws and regulations

Compliance with applicable laws and regulations is an important aspect for Rețele Electrice, therefore, they share a common commitment to the correct conduct of their activity.

They support transparency in all the steps taken and that is why we present in the table below the situations in which financial sanctions were granted during the 2023 reporting period to Rețele Electrice companies.

Among the institutions that have issued such financial sanctions are the National Energy Regulatory Authority (ANRE), the National Authority for Consumer Protection (ANPC), the Territorial Labor Inspectorate (ITM), the Romanian Bureau of Legal Metrology (BRML), the National Company for Road Infrastructure Administration (CNAIR) and the Environmental Guard.

Anti-competitive behavior

On the topic of legal actions regarding anti-competitive behavior, control authorities did not attest to any deviations in 2023. We mention that there are currently three ongoing investigations initiated by the Competition Council, regarding the companies Rețele Electrice Muntenia, Rețele Electrice Banat, and Rețele Electrice Dobrogea. The Competition Council investigates possible aspects related to compliance with the provisions of art. 6 para. (1) letter b) of the Competition Law no. 21/1996, regarding the refusal to provide information and access to work systems for optimizing the use of the network.

Between September 12-14, 2023, unannounced inspections were carried out at the headquarters of the three distribution companies, which resulted with no sanctions.,The investigations are still ongoing.

	Value of penalties
Rețele Electrice Banat	689,341 RON
Rețele Electrice Muntenia	1,122,365 RON
Rețele Electrice Dobrogea	625,552 RON
Total	**2,437,258 RON**

4.3 Sustainability
Strategy

PPC Group is the leading clean energy company in South-Eastern Europe, which puts sustainability at the heart of its operations, with a commitment to align with climate neutrality goals for 2050 and to improve the energy sector in South-Eastern Europe.

The modern challenges (climate change, impacts on biodiversity, social inequalities, etc.) and the significant opportunities that arise with the energy transition place sustainable development at the heart of the PPC Group's long-term business strategy. The organization aims to adopt a new model of efficient and inclusive growth, in line with the UN Global Sustainable Development Goals. For the Group, the key principles of its business strategy and philosophy are to ensure a safe and fair working environment, to make a substantial contribution to the economy, to support local communities and to reduce the environmental impact of its activities.

The PPC Group's sustainable development policy is the basic framework of its sustainability commitments, being fully aligned with the strategic plan and the need to transform its business model. PPC Group is always looking for mechanisms to integrate factors that enable sustainable development along the entire value chain and to adopt circular economy principles in the production and development of new and existing products and services.

The PPC group's strategy is based on the **„Creating Shared Value"** (CSV) model, which focuses on creating shared value for the company, society and the environment. These parameters serve as reference points for the implementation of any decision taken within the Group's operational strategy for the fulfillment of its mission and strategic sustainability objectives.

In this context, the sustainable development strategy focuses on three pillars:

- Carbon Neutral
- Operations with a positive impact on the environment
- Creation of common socio-economic value.

As part of the PPC Group, the group's mission, vision and values align with the objectives of the distribution companies - Rețele Electrice, as well as their sustainable development strategy and key priorities. As a distribution system operator, Rețele Electrice companies understand their fundamental role in Romania's energy infrastructure and attach importance to integrating the principles of sustainable development into its decisions and activities. PPC Romania aims to develop a secure supply chain, in a dynamic region, to support the energy transition.

Supporting the electrification of consumption remains a main objective in line with the European Union's climate ambitions, which impose electrification and decarbonization targets as quickly as possible, thus determining a need to accelerate investments in the grid. That is why Rețele Electrice supports the efforts of the organizations Eurelectric, ACER (EU Agency for the Cooperation of Energy Regulators) and CEER (Council of European Energy Regulators) that support an anticipatory approach to investments for a resilient distribution grid ready for future developments. While standard investments are made in response to short/medium-term needs, anticipatory investments respond to long-term objectives regarding the development of generation capacities to be integrated into the system and the increase of consumption. Considering the restrictive approach of existing regulatory frameworks to investments, the shift towards forward-looking network development proactively addresses the necessary developments in line with the Fit for 55 and REPowerEU objectives.

This would allow for better integration of renewable energy, greater flexibility and stability of the national energy system, increased resilience, energy security and more efficient management of energy flows. At the consumer level, all this can translate into a significant improvement in the quality of services, an accelerated electrification of transport and heating and a greater degree of autonomy in relation to the energy system.

Therefore, Rețele Electrice companies join the joint effort for the transition to a cleaner, more sustainable and more resilient energy system, which can meet the growing demand for electricity in Romania, while reducing greenhouse gas emissions and mitigating climate change.

To develop **the Sustainability Plan of the Rețele Electrice**, the company periodically sets objectives which are updated regularly in order to ensure a continuous alignment with the business strategy and the achieved results, with the ultimate purpose of integrating sustainability throughout the value chain. In this approach, the impact on the environment, society and the economy in general are considered.

At the heart of **the sustainability strategy** is the ambition of our companies to achieve climate neutrality by 2050, thanks to the crucial role they play in line with the objectives of the energy transition.

The Sustainability Plan reinforces the decarbonization commitment of the Rețele Electrice companies, taking into account the emissions generated and confirming the commitment to biodiversity protection during the installation of new capacities. Increasing the level of electrification remains one of the main objectives, being present in the Sustainability Plan with the aim of developing high-quality, reliable and flexible electricity grids.

The companies follow the trends of the PPC Group by substantiating the development strategy with a focus on the pillars aimed at balancing the impact on the environmental, social and economic components to achieve long-term sustainable growth.

ELECTRIFICATION & ENERGY EFFICIENCY

Transition to a Low-Carbon Economy

- **Modernization, innovation and digitalization of electricity grids:** increasing efficiency, reducing losses and integrating renewable energy sources.

SOCIAL RESPONSIBILITY

commitment to employees, local communities, suppliers, customers and other relevant actors

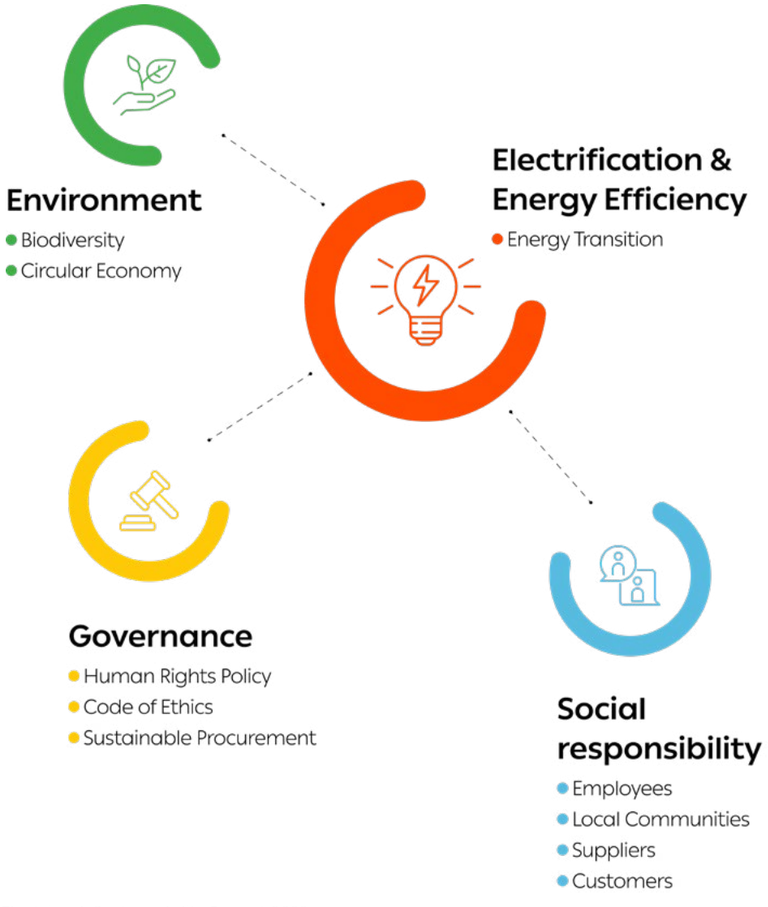
- **Employee wellbeing:** Promoting a safe and inclusive work environment with opportunities for training and continuous development for employees
- **Engaging with local communities** to meet their needs
- **Commitment to suppliers:** Building strong partnerships with suppliers through transparent communication and collaborative improvement initiatives

GOVERNANCE

- **Compliance with all relevant regulations** and standards at national and international level through the Code of Ethics, Human Rights Policy, etc..
- **Sustainable procurement:** Procurement process that includes relevant requirements under the ESG umbrella, mechanism to monitor suppliers and partners in the value chain to reduce environmental impact and promote human rights and ethical practices.

ENVIRONMENT

- **Biodiversity:** Reducing the impact on local ecosystems and biodiversity.
- **Circular economy and waste management:** Reduction, reuse and recycling of waste produced through operational activity.



The Sustainable Development Goals are the foundation of the development strategy of the Rețele Electrice companies, with the aim of anticipating global trends and ensuring an increased level of resilience to promote and accelerate the energy transition. This is achieved by approaching an inclusive and equitable perspective, creating long-term value for all relevant actors.

Electrification and increasing access to energy through grid investments.

Innovation and digitalization of networks by developing and implementing sustainable solutions for resilient grids.

Digital development of processes with a direct impact in the distribution service area.

Reductions in energy losses from the grid, thus contributing to decarbonisation and energy efficiency targets.

Protecting the habitats impacted by the business activity and the environment, by building a circular business model.

Developing and strengthening sustainability initiatives by creating strategic partnerships (e.g. with a focus on education, development and economic growth, etc.).

4.4 Risk management

Rețele Electrice companies implement advanced management mechanisms to ensure an efficient and transparent system of governance and risk prevention.

By adopting the ISO 37001 standard "Anti-bribery management", they identify the areas with the greatest exposure to corruption, both in relations with public administrations and in the private sector. This system highlights high-risk activities and implements prevention measures through a well-structured set of governance tools, such as the Zero Tolerance Plan for Corruption (ZTC Plan), the Code of Ethics, and the Compliance Program. These tools are an integral part of the Internal Control System of companies, ensuring a robust framework for the prevention of acts of corruption.

In addition, the companies have implemented a rigorous risk assessment and monitoring process, which includes strategic, governance and culture risks, technological and digital, financial, operational and compliance risks.

The implementation of ISO 45001 ensures the effective management of risks associated with occupational health and safety, providing a clear framework for identifying and managing these risks. Further details about this system are presented in the chapter "Health and safety at work", highlighting the commitment of companies to protecting employees.

The climate studies carried out by each company identify a series of physical climate risks and adaptation measures, which are presented in detail in the chapter "Environment and climate change".

These studies are essential for adapting to climate change by implementing proactive and predictive measures, one of them being a weather monitoring system, a system that sends alerts to the operational teams to intervene effectively.

In the development of new projects, companies apply a minimum due diligence process to identify the specific risks associated with each project at a detailed level. This granular approach allows for the preparation of complete technical documentation and mitigates potential risks before projects are implemented.

Thus, the management mechanisms of Rețele Electrice are essential for ensuring a safe, ethical and sustainable operating environment.

The specific ESG risks identified by carrying out the double materiality process will be detailed below, as described in the "Materiality analysis" chapter, together with the management measures for each risk.

ABOUT MATERIALITY STRATEGY PEOPLE HEALTH PERFORMANCE MODERNIZATION ENVIRONMENT COMMUNITIES TAXONOMY APPENDIX

Risk	Duration	Risk management	Material subject
Operational risk in maintaining the continuity of distribution services through interruptions in the electricity supply and damage to equipment, caused by the increase in the frequency and severity of extreme weather events.		Rețele Electrice implements procedures, policies, and intervention models to manage extreme weather events, both to increase the resilience of the infrastructure and to improve the ability to restore in the shortest feasible time the optimal conditions for grid operation. For example: network operating conditions monitoring systems, weather monitoring and alert systems, 4R Resilience Strategy, emergency intervention measures. More information in the Climate and Taxonomy chapters.	**Climate**
Increased costs and additional investments in infrastructure to adapt to new regulations and rigors regarding the monitoring and reduction of GHG emissions.		The PPC Group has committed to climate neutrality targets for 2050. In Romania, there are several actions implemented at the level of distribution companies that cumulatively bring positive effects in reducing emissions: clear targets for reducing losses in the network through investments in high-performance equipment (in accordance with the annual investment plan approved and monitored by ANRE). Long-term plan for the transition from a predominantly combustion engine fleet to hybrid and electric. In addition, in 2024 the company will revise the local GHG emission reduction plan in line with the new realities. Measures for the reuse and recycling of materials resulting from operational activities or investment works.	**Climate**
Operational and financial risks generated by the need to increase costs and the level of investments to ensure resilience in the context of the integration of the large number of prosumers in the grid while increasing the electrification of consumption.		One of the companies' objectives is to support the electrification of consumption. In line with the EU's ambitions, there is a need to accelerate the expansion and modernization of the network, with investments in the network remaining a priority. At the same time, the regulatory framework restricts the approved list of annual investments. That is why the distribution companies through advocacy actions support Eurelectric's approach to introducing anticipatory investments in the annual investment plan. The shift towards forward-looking grid development proactively approached beyond immediate needs will increase grid resilience and flexibility in response to accelerating consumption electrification.	**Climate**

Risk	Duration	Risk Management	Material subject
Operational risks generated by the low number of qualified electricians available on the labor market, accentuated by the inconsistencies between specialized educational programs and the requirements of the private environment, as well as by the additional competition in the renewable energy sector.		Rețele Electrice companies have a plan to adjust the recruitment and bidding strategy for the role of electrician, adapting them to be efficient and competitive in the new market realities. Additionally, the companies are redefining strategic partnerships in the education sector, especially in the fields of STEAM (Science, Technology, Engineering, Arts and Mathematics), in order to increase the visibility of the sector, improve the level of knowledge and understanding of the operational specifics and provide opportunities to develop the practical skills necessary to work in the field.	**Employees**
Reputational and operational risk generated by the increase in competitiveness for specialists in the labor market, which contributes to the perception among employees related to the salary level, which creates difficulties in attracting and retaining qualified personnel. This context has been accentuated by the increase in demand for specialists in the field of renewable energies.		Companies implement a reward policy that goes beyond simple salary remuneration, offering a package of tangible and intangible benefits. This integrated approach reflects the commitment to their well-being, professional development and satisfaction. The company ensures a competitive annual salary income, aligned with market conditions and periodically adjusted to reflect economic developments, individual and team performance. Through collective and meritocratic salary adjustments, individual and team contributions are recognized and rewarded. For more information, see the chapter "Our People".	**Employees**
Increasing the risks of accidents and work-related illnesses in the context of the shortage of qualified personnel, especially among field teams.		To reduce the negative impact on the operational staff, the Rețele Electrice companies implement a comprehensive plan that includes strict compliance with safety and protection rules, investments in protective equipment, periodic training and inspections, as well as the modernization of the distribution network. In addition to these measures, there is a plan to resize the teams and attract new professionals from the market, to reduce the pressure on the existing staff. For more information, see the chapters "Health and Safety at Work" and "Our People".	**Health and safety at work**

Risk	Duration	Risk Management	Material subject
Reputational risk generated by errors in the activity carried out by the staff of the partners in the supply chain.		To mitigate the risks, Rețele Electrice companies have a plan to strengthen the procurement strategy and manage the relationship with suppliers/partners to improve transparency and the level of cooperation in order to increase the quality of the purchased services by clearly defining the performance indicators and by setting a more rigorous monitoring calendar. In addition, carrying out a more robust check on the quality of the partner's performance but also of the working conditions.	**Employees in the value chain**
Reputational risk in the relationship with prosumers generated by the lack of a complete and unified regulated framework for managing the relationship with them.		Distribution companies are active in the effort to build a unitary and coherent regulatory framework for the aspects related to the responsibilities of the network operator in relation to the prosumer. This happens through direct advocacy efforts or through professional associations in the energy sector. For more information, please refer to the Certifications, Groups, Associations section of the chapter "Our Sustainable Business Model".	**Customers**
Reputational risk generated by the low clarity regarding the relationship between distribution system operators and public authorities as well as the exclusively regulated nature of the distribution activity.		The distribution companies have implemented a set of documents aimed at identifying and combating illicit practices, which includes the Code of Ethics, the Anti-Bribery Policy, the Zero Tolerance Plan for Corruption, the Compliance Plan. Adoption and application of internal guides that ensure fair competition and establish the relationship of companies with the national regulatory authority, such as the Manual of Compliance with Competition Rules and the Procedure for Conducting the Relationship with ANRE. They maintain a constant dialogue with ANRE, ensuring transparent reporting of performance and the Investment Plan approved by the regulator. For more information, see the chapter "Governance and management of the organization".	**Business Conduct**

Risk	Duration	Risk Management	Material subject
Changes in the regulatory framework with a financial impact on the financial results of distribution companies.		Rețele Electrice companies support and contribute through advocacy efforts, both directly and through the Professional Associations in the field, to reduce the negative impact produced by these changes. For more information, please refer to the Certifications, Groups, Associations section of the "Our Sustainable Business Model" chapter.	**Energy transition**
Risk of compromise of data systems, especially in the context of extensive automation and digitalization processes for the development and optimization of operational processes.		Developing a governance and cybersecurity strategy and framework that is aligned with international standards and best practices in the field, starting from the security strategy, aligned with the business strategy and the information technology strategy, to increase the security of computer networks. For more information, see the chapter " Network Modernization and Digital Transformation".	**Cybersecurity**
Financial risks regarding the impact on the quality of the distribution service caused by **energy losses** (CPT), as well as possible unplanned works that may lead to an **increase in customer complaints**.		Distribution companies invest in capital works and network modernization works in areas identified at risk, carried out in accordance with the Annual Investment Plan approved by ANRE. It also accesses financing lines from European funds to supplement the resources directed to increase the quality of the distribution service. For more information, see the chapter " Network Modernization and Digital Transformation ".	**Customers**
Operational and financial risk caused by the need to rapidly adapt distribution networks to facilitate the Energy Transition. They must adopt effective measures to support the transition to renewable energy sources, electrification and to reduce greenhouse gas emissions and contribute to mitigating the effects of climate change.		The fast pace of consumption electrification and the accelerated process of the energy transition create an imbalance between existing resources and those needed by the distribution system to face the challenges and changes needed in the current restrictive regulatory context. That is why Rețele Electrice supports the efforts of the organizations Eurelectric, ACER (EU Agency for the Cooperation of Energy Regulators) and CEER (Council of European Energy Regulators), which promote an anticipatory approach to investments to ensure a resilient distribution network ready for future developments. For more information, see the Strategy chapter.	**Energy transition**

4.5 Relationship **with suppliers**

Rețele Electrice companies have implemented a supply chain management system that ensures transparency in procurement, fair competition, equitable partnerships and strict compliance with relevant standards.

Procurement activities are guided by the Code of Ethics, the Zero Tolerance Plan for Corruption, the Human Rights Policy and the Compliance Program, which serve as a code of conduct for suppliers and contractors. They are committed to fully complying with the principles of the United Nations Global Compact (UN Global Compact) and the Law.

The UN Global Compact (UNGC) is the largest voluntary corporate sustainability initiative. PPC aims to integrate into its strategy, culture and operations, fundamental responsibilities from the four areas: human rights, working conditions, environment and anti-corruption, as expressed in the 10 principles of the Covenant.

Distribution companies' suppliers shall ensure that they, together with employed subcontractors or sub-suppliers, as well as the entire supply chain, comply with the following principles of the UNGC regarding:

HUMAN RIGHTS:
- The companies must uphold and respect the protection of internationally recognized human rights in their activities.
- The companies must ensure that they are not involved in human rights violations.

WORKING CONDITIONS:
- The companies must uphold freedom of affiliation and the effective recognition of the right to collective bargaining.
- The companies must support the elimination of any form of forced labour.
- The companies must support the abolition of child labour.
- The companies must support the abolition of discriminatory practices in the workplace and in education.

Supplier qualification system

The supplier qualification system allows for the accurate selection and evaluation of companies wishing to participate in procurement processes. Distribution companies' suppliers are subject to rigorous evaluation and constant monitoring to ensure that they comply with the established standards. The assessment covers technical, economic and financial, legal, environmental, safety, human rights and integrity aspects to ensure an adequate level of quality and reliability. Each supplier is qualified for one or more specific categories of products and services, and eligibility is granted only if the criteria set out for that category are met.

For the qualification of suppliers in the first 10 months of 2023, Rețele Electrice used the same qualification system (part of Enel's global platform), as described in last year's sustainability report[4].

4 Sustainability Report 2022

In the last two months of 2023, with the closing of the transaction to PPC Group, the companies were decoupled from this system. As an immediate measure for the qualification of suppliers, they have implemented a series of declarations and commitments assumed by them on environmental and social criteria, either in the tender phase or by signing contracts. The criteria by which suppliers are analyzed differ depending on the field of activity. Thus, suppliers are evaluated using the following environmental criteria:

- Complaints/ fines/ lawsuits on environmental grounds;
- Environmental certification, CO2 emission measurements;
- Use of renewable energy;
- Use of vehicles with low particulate emissions;
- Sustainable packaging;
- Reduction of water consumption, etc.

From the perspective of social criteria, suppliers are analyzed according to the following criteria:

- Holding a code of ethics;
- Adherence to the principles of the United Nations Global Compact;
- Violation of the child labor regime;
- Recognition of the right to association and collective bargaining;
- The existence of fair working conditions;
- The existence of complaints/lawsuits on labor issues, etc.

In 2023, 100% of suppliers were evaluated according to social and environmental criteria, the same as in 2022. During the reporting period, 375 contracts were concluded with 155 suppliers, with a total value of almost 235.65 mln. EUR.

The tender processes include a specific 'key sustainability factor (K)', covering environmental, safety and social components. Thus, in 2023, the sustainability factor K was applied in 13 tender procedures, leading to the conclusion of 35 contracts worth 22.96 mln. Euro.

	Local suppliers		Suppliers from the European Union	
	2022	2023	2022	2023
Number of suppliers	99	127	20	28
Number of contracts concluded	257	292	55	83
Value of contracts	130.48 thousand EUR	216.31 thousand EUR	9.38 thousand EUR	19.34 thousand EUR

HEALTH & SAFETY
The "Safety Self-Assessment" is a tool through which companies can easily transmit key requirements to their suppliers and has become an integral part of the sustainability requirements for assessment since 2018.

ENVIRONMENT
The criteria for assessing the environmental impact vary depending on the category of equipment and the level of associated risk, assessed on a scale of 1 to 3. If a high risk to the environment is identified, ISO 14001 certification or equivalent certification is always required.

HUMAN RIGHTS
By adopting a precautionary approach, companies ensure that suppliers from a human rights perspective, regardless of the level of risk, remain committed to complying with them, a condition also assumed by signing contracts.

4.6 Relationship with **state authorities**

Effective collaboration with public authorities is essential for the operations of Rețele Electrice companies, and to ensure this, they have focused on developing and strengthening relationships with public entities.

The companies have made efforts to overcome obstacles related to the rigidity of institutional communication and have managed to establish solid partnerships. By building relationships based on humanity, they were able to respond in a coordinated manner in the effective management of crises, such as those generated by severe weather conditions in the distribution areas. They also collaborated effectively on local development plans, investments and other relevant aspects.

Extreme weather can negatively affect the power grid, causing breakdowns and temporary disconnection of customers from the power supply. The response time in such situations is significantly reduced when the efforts of the intervention team are supported by the public authorities, which have additional communication channels to inform the people affected by the outages.

Interventions in the various areas of the community can be disturbing or disruptive until the works are completed. Therefore, it is important that the activities of the companies are coordinated with those scheduled by the local authorities, to minimize the discomfort felt by the inhabitants.

Rețele Electrice companies do not have direct relations with political parties and do not provide any kind of financing, as explicitly set out in point 2.2 of the Zero Tolerance Plan for Corruption.

4.7 Customer **Relationship**

Rețele Electrice companies respect the partnership with customers, always keeping open channels of communication with them, their needs and suggestions being important for their development directions.

Customers can get in touch with Rețele Electrice using the online channels, by filling out the form available directly on the website or by phone. These options are available for questions and clarifications or various complaints. For problems related to electricity supply or interruptions, customers can report the situation by phone using a dedicated number, specific to each distribution area.

Alternatively, customers can fill in the contact form, available on the Rețele Electrice website, to quickly receive answers to questions and complaints regarding the distribution service. They can also use the online account to submit complaints, submit requests or access other services.

Rețele Electrice companies comply with a series of principles in informing customers, according to the Code of Ethics:

- **Clear and simple:** The information is written in an accessible language;
- **Compliant:** Compliance with current regulations, without evasive practices;
- **Complete:** Without omitting necessary information;
- **Accessible:** The information is easy to access.

Rețele Electrice companies have intensified efforts to improve customer relationships on social media platforms, such as the official Facebook page, to keep customers connected and informed.

Customers interested in becoming prosumers can find detailed information on the website about the installation of photovoltaic panels and other energy production equipment. Also, the online services dedicated to grid connection allow customers to send the necessary documents and track the status of their requests until completion, benefiting from a connection guide available on the platform.

Through the customer account, access to the online services made available is still allowed, such as: **site notice, POD information, index reading history, load curves**, the possibility of receiving various **notifications, communications or alerts** the possibility of sending **notifications** regarding the distribution network and other relevant aspects.

24/7 Trouble Reporting

Toll-free numbers from the national territory	Normal rate numbers
Banat: 0800.070.444	**Banat** (Arad, Caraș-Severin, Hunedoara, Timiș counties): **County area code + 929**
Dobrogea: 0800.070.555	**Dobrogea** (Călărași, Constanța, Ialomita, Tulcea counties): **County area code + 929**
Muntenia: 0800.070.888	**Muntenia** (Bucharest, Ilfov, Giurgiu counties): **021 9291**

They can also benefit from the Virtual Visit, which is a digital service that has been developed for customers, through a video connection on their phone. It offers customers the opportunity to find out directly from the technicians what is the optimal connection solution if they want to connect a new home to the distribution network or if they install a charging station for the electric car.

Customers also benefit from the possibility to check the status of planned outages in their distribution areas, as recorded in the systems owned by the three companies, using Map of outages available on the website.

The information is updated every 30 minutes, based on records from the systems, and provides details about the status of the medium and low voltage networks. In the case of low-voltage outages, collective outages are highlighted.

To avoid short interruptions, which often occur due to increased consumption or changes in consumption needs, Rețele Electrice companies offer customers the opportunity to request a power increase. These interruptions can cause inconvenience, such as the inability to use multiple electrical and home appliances at once. Customers who are facing such issues can request a power increase.

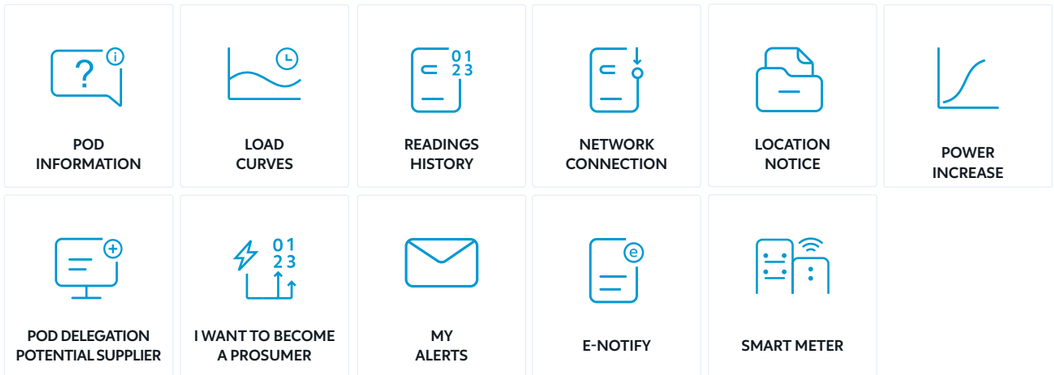
The request for the power increase does not change the conditions in the electricity supply contract but may require adjustments to the connection installation of the place of consumption.

Also, Rețele Electrice companies continue to install smart meters, which offer numerous advantages to customers. They enable easier and faster monitoring of energy consumption, including the transmission of consumption data, load curve and other parameters. It ensures automatic and accurate readings, without errors, giving customers the opportunity to adapt and streamline their energy consumption.

Moreover, customers benefit from surge protection and faster refueling in the event of incidents. This advanced technology helps to efficiently manage energy consumption and increase the safety and reliability of power grids.

In addition, smart meters allow the separate measurement of energy produced from renewable sources fed into the grid, in the case of prosumers.

The Stop Fraud Platform aims to prevent and stop illegal connection actions to the electricity distribution network and unauthorized interventions on metering equipment aimed at preventing the recording of real quantities of electricity.



Notifications about non-compliance with the legal norms regarding electricity consumption are recorded centrally anonymously through this platform.

The companies analyze the notifications received and carry out verification and resolution actions to improve the quality of distribution services so that customers have access to electricity at the appropriate standards.

To submit an anonymous complaint, customers can call the phone number (**0800500999**) or leave a message with all the necessary data at the following email address: **sustrageri.distributie.ro@reteleelectrice.ro**.

Energy suppliers benefit from dedicated online services by creating an account on the Rețele Electrice website. Through the platform, they can manage the electricity distribution contract online, having access to numerous benefits.

Referrals
- Register a request (complaint, notification, request for information)

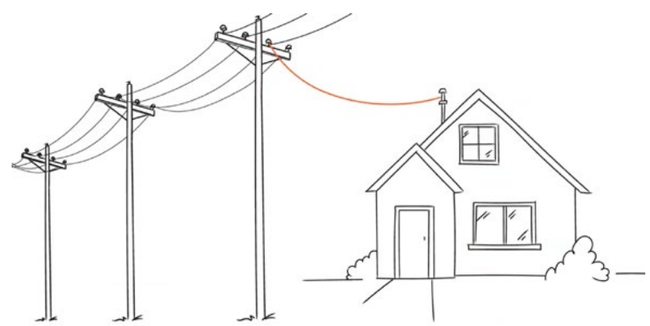
Online services related to the Agreement
- Notification when changing provider
- Change of supplier / contract assets
- Termination of contract
- Contract modification

Additional Online Measurement Services
- On-demand readings
- Measure
- Disconnect
- Reconnect

Online services for grid connection
- Manufacturer connection
- Consumer connection
- Site Notice

Service Compensation
- Compensation

Cancel other services
- Cancel the request with ODL



5. Our people

5. Our **people**

In the context of current social, economic and cultural transformations, such as the transition to a low-carbon economy or the continuous evolution of digitalisation and technological innovation processes, the workplace can also be strongly impacted.

Thus, companies must be able to adapt to the uncertainty, volatility and complexity of current scenarios. The inclusive approach, which puts the person at the center of the social and professional dimensions, becomes essential to face this transformation.

In this regard, Rețele Electrice encourage the active participation of employees in decision-making processes and offer customized training and development programs, adapted to diversity and individual needs.

It also promotes a work environment that supports work-life balance, facilitating schedule flexibility and providing childcare services or other dependent family members.

To successfully navigate this challenging transformation, an inclusive approach is taken, which puts people at the heart of the strategy and ensures that all employees feel valued, respected and encouraged to reach their full potential.

Rețele Electrice promotes a culture of continuous learning, recognizing that it is essential for adapting to the rapid changes in the business environment and for the professional growth of employees.

The distribution companies aim to create an open and dynamic work environment that promotes the integration and appreciation of diversity, recognizing it as a important source of innovation and growth. Companies' leadership is committed to encouraging individual talent, skills, and aspirations. They adopt an empathetic leadership style, designed to inspire and support teamwork. The management promote a collective approach and create a collaborative work environment, where each person gets involved and contributes to the development of the team's potential.

Not only technical solutions are important, but also cultivating interpersonal skills, maintaining strong connections with team members and providing the necessary support to reach their full potential in an ever-evolving work environment.

At Rețele Electrice, the work environment is shaped according to **the Code of Ethics and the Diversity Charter**. The Code of Ethics establishes standards of conduct in the recruitment process and contains provisions regarding the rights and responsibilities of employees, and the principle of equal opportunities is the foundation of the recruitment policy.

The recruitment process is designed to fully respect and value candidates' personal lives and opinions. Each stage reflects the company's commitment to diversity, inclusion and respect for individuality.

Access to officesand positions is based on professional criteria and merit, and the transparency of the process is crucial to ensure fairness and objectivity in the evaluation of candidates.

Reward Policy

Within the distribution companies, a total reward policy is implemented that goes beyond simple salary remuneration, offering a comprehensive package of tangible and intangible benefits.

This integrated approach to employee reward reflects a commitment to employee well-being, professional development, and satisfaction. Rețele Electrice ensures a competitive annual salary income, aligned with market conditions and periodically adjusted to reflect economic developments, individual and team performance. Through collective and meritocratic salary adjustments, both individual and team contributions are recognized and rewarded, ensuring the financial stability of all employees.

Employee benefits

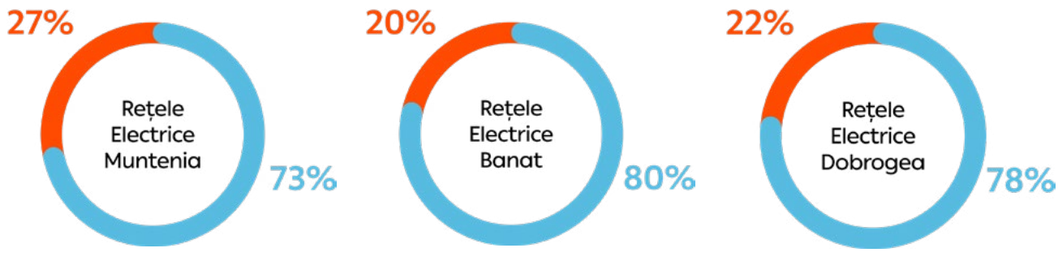
- Free health services subscription
- Meal vouchers
- Services with preferential discounts for the Company's employees
- Bonuses on Easter, Christmas and Electrician's Day; 8th of March for Women, Holiday bonus
- Work from home or the reduction of working hours, without affecting salary rights, available for parents who return early from parental and childcare leave
- Christmas bonus for the employee's minor children
- Bookster subscription
- Holiday Ticket Compensation
- 8th of March – day off for all women employees
- Bonuses on special events
- Day off for all employees on Energetician's Day
- Additional leave days depending on total length of service
- Day off for employees' birthdays
- Additional leave days on special events
- Car accident insurance for drivers and passengers

In the following paragraph, various categories of employees of the Rețele Electrice companies are presented in tabular form. All company employees are covered by collective bargaining agreements.

According to the Labor Code, the employer has the obligation to notify the Union in writing of its intention to collective dismissal, at least thirty calendar days from the issuance of the earlier dismissal decisions.

Number of total employees	2023			2022		
	Female	Male	Total	Female	Male	Total
Rețele Electrice Muntenia	318	841	1,159	248	791	1,039
Rețele Electrice Banat	181	729	910	118	642	760
Rețele Electrice Dobrogea	164	578	741	99	503	602
Total	663	2,148	2,811	465	1,936	2,401

Procentaj din totalul de angajați 2023



Rețele Electrice Muntenia

	2023			2022		
	Female	Male	Total	Female	Male	Total
Number of permanent employees	295	811	1,106	222	732	954
Number of temporary employees	23	30	53	26	59	85
Number of full-time employees	300	826	1,126	243	785	1,028
Number of part-time employees	18	15	33	5	6	11
Number of employees in internship	1	3	4	19	16	35

Rețele Electrice Banat

	2023			2022		
	Female	Male	Total	Female	Male	Total
Number of permanent employees	174	689	863	109	607	716
Number of temporary employees	7	40	47	9	35	44
Number of full-time employees	125	672	797	94	611	705
Number of part-time employees	56	57	113	24	31	55
Number of employees in internship	3	3	6	2	3	5

Rețele Electrice Dobrogea

	2023			2022		
	Female	Male	Total	Female	Male	Total
Number of permanent employees	160	558	718	96	488	584
Number of temporary employees	4	20	24	3	14	18
Number of full-time employees	113	517	630	71	471	542
Number of part-time employees	51	61	112	28	32	60
Number of employees in internship	0	1	1	8	16	24

The total number of employees during the reporting period by age groups, gender and region.

		Rețele Electrice Muntenia	Rețele Electrice Banat	Rețele Electrice Dobrogea	Total
Under 30 years old	Male	97	78	33	208
	Female	54	22	12	88
Total employees under 30 years old		**151**	**100**	**45**	**296**
30 - 50 years	Male	438	316	284	1,038
	Female	157	83	83	323
Total employees 30-50 years old		**595**	**399**	**367**	**1,361**
Over 50 years	Male	306	335	261	902
	Female	107	76	69	252
Total employees over 50 years old		**413**	**411**	**330**	**1.,54**
Total employees		**1.159**	**910**	**742**	**2,811**

The total number of new employees during the reporting period, by age groups, gender and region.

		Rețele Electrice Muntenia	Rețele Electrice Banat	Rețele Electrice Dobrogea	Total
Under 30 years old	Male	60	31	20	111
	Female	45	13	8	66
Total employees under 30 years old		**105**	**44**	**28**	**177**
30-50 years	Male	81	51	60	192
	Female	30	0	15	45
Total employees 30-50 years old		**111**	**51**	**75**	**237**
Over 50 years	Male	24	10	20	54
	Female	3	3	2	8
Total employees over 50 years old		**27**	**13**	**22**	**62**
Total new employees		**242**	**105**	**125**	**473**

The turnover rate of new employees during the reporting period, by age groups, gender and region.

Rețele Electrice Muntenia	Female				Male			
	<30	30-50	>50	Total	<30	30-50	>50	Total
New employees jan. 2023 - dec. 2023	45	30	3	78	60	81	24	165
Employees who left jan. 2023 - dec. 2023	41	28	8	77	42	88	30	160

Rețele Electrice Banat	Female				Male			
	<30	30-50	>50	Total	<30	30-50	>50	Total
New employees jan. 2023 - dec. 2023	10	3	0	13	31	51	10	92
Employees who left jan. 2023 - dec. 2023	7	2	3	12	20	28	13	61

Rețele Electrice Dobrogea	Female				Male			
	<30	30-50	>50	Total	<30	30-50	>50	Total
New employees jan. 2023 - dec. 2023	8	15	2	25	20	60	20	100
Employees who left jan. 2023 - dec. 2023	6	9	3	18	15	51	27	93

THE TURNOVER RATE OF NEW EMPLOYEESDURING THE REPORTING PERIOD:

- Rețele Electrice Muntenia = 23%
- Rețele Electrice Banat = 10%
- Rețele Electrice Dobrogea = 19%

Parental leave

Rețele Electrice Muntenia	Female	Male	Total
Total number of employees that were entitled for parental leave	20	7	27
Total number of employees that took parental leave	20	7	27
Total number of employees that returned to work in the reporting period after parental leave ended	9	6	15
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	3	0	3
Return to work rate		55%	
Retention rate		42.86%	

Rețele Electrice Banat	Female	Male	Total
Total number of employees that were entitled for parental leave	3	3	6
Total number of employees that took parental leave	3	3	6
Total number of employees that returned to work in the reporting period after parental leave ended	1	3	4
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	2	1	3
Return to work rate		67%	
Retention rate		75%	

Rețele Electrice Dobrogea	Female	Male	Total
Total number of employees that were entitled for parental leave	10	6	16
Total number of employees that took parental leave	10	6	16
Total number of employees that returned to work in the reporting period after parental leave ended	2	4	6
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	1	0	1
Return to work rate		60%	
Retention rate		100%	

5.1 Professional training and **promotion at the workplace**

The employee training process is not only an opportunity for individual growth, but also for collaboration and building a new network of connections.

This experiential approach not only fosters a stronger team spirit, but also contributes to improving the ability of employees of Rețele Electrice companies to complete work tasks efficiently and successfully respond to ever-changing challenges.

Rețele Electrice companies are firmly committed to developing and improving the skills of their employees through a rigorous training process. In addition, the Companies offer an inclusive working environment, respecting and promoting the principles of non-discrimination and equal opportunities.

It ensures that each employee has access to the necessary resources to develop their skills, under the guidance of diverse leadership styles, adapted to individual needs. In this regard, it encourages and supports excellence at every stage of their professional development, wanting the resources made available to facilitate the transition to new positions and responsibilities, thus preparing them for future challenges.

In line with the objectives of digitalization and the concern for innovation, companies offer employees the opportunity to improve their skills and knowledge by participating in annual training courses, which promote both professional and personal development.

Training programs usually pursue two directions to improve employees' professional skills and abilities:

- Improving digital skills, such as the use of digital equipment and specific applications for electricians, as well as courses to improve language skills such as English, Italian and Spanish.
- Improving employees' general skills, including teamwork, acquiring the values of the Companies, managing conflict and stress, time management and developing leadership skills for employees in management positions.

The Performance Evaluation process is carried out annually, and is carried out according to internal regulations, with the purpose of evaluating the way in which employees have fulfilled their objectives and duties, based on the established evaluation criteria. For more details about this process and its stages, please refer to the previous Sustainability Report for 2022 available here[5].

5 the necessary information can be found on page 42 of Chapter 5 of the 2022 Sustainability Report

Average number of training hours per year per employee

	RE Muntenia		RE Banat		RE Dobrogea	
	Female	Male	Female	Male	Female	Male
Blue Collars	5.42	35.68	6.51	2.11	0.32	32.59
White Collars	23.02	14.90	14.04	11.23	23.38	12.75
Middle Manager + Manager	30.12	27.67	47.54	19.62	42.41	29.54
Total	**58.86**	**78.24**	**68.09**	**32.96**	**66.11**	**74.87**

5.2 Diversity and **inclusion**

Rețele Electrice recognizes the importance of diversity in any company, considering it an essential condition for creating an inclusive corporate culture, in which every person feels accepted, regardless of race, ethnicity, religion, gender, age, sexual orientation or ability.

They adopt an inclusive approach in the process of recruiting and promoting employees, respecting the principles of diversity and equality. It ensures that all groups of people, regardless of gender, ethnicity, culture or other components of identity, benefit from visibility and are treated fairly in the work environment.

Promote a culture of diversity and inclusion by implementing and enforcing policies and procedures that ensure equal opportunities, non-discrimination, diversity, inclusion, and equal promotion opportunities for all employees.

They are committed to ensuring fair and non-discriminatory treatment in their dealings with employees, partners, collaborators and customers.

These measures reflect their commitment to promoting inclusion and creating a work environment where every employee feels valued, respected and encouraged to contribute to their fullest potential.

Rețele Electrice companies have a zero-tolerance policy towards any form of discrimination and harassment based on ethnic, racial, sexual, political, religious or any other criteria, both in the recruitment and promotion process, as well as in the daily activities of employees.

During the reporting period, no incidents of discrimination were recorded at the level of the Rețele Electrice companies.

Distribution of employees by diversity categories (age and gender)

Rețele Electrice Banat

Management					Employees				
Female	Male	<30	30-50	>50	Female	Male	<30	30-50	>50
21%	79%	0%	50%	50%	16%	84%	11%	38%	50%

Rețele Electrice Dobrogea

Management					Employees				
Female	Male	<30	30-50	>50	Female	Male	<30	30-50	>50
20%	80%	2%	63%	34%	17%	83%	7%	44%	49%

Rețele Electrice Muntenia

Management					Employees				
Female	Male	<30	30-50	>50	Female	Male	<30	30-50	>50
32%	68%	3%	69%	28%	25%	75%	13%	49%	37%

The ratio of basic salary to women's remuneration to men for each category of employees

Employee category	Rețele Electrice Banat	Rețele Electrice Dobrogea	Rețele Ecelctrice Muntenia
Managers	N/A – only men in this position	N/A – only men in this position	13.1
Middle Managers	3.0	18.3	0.2
White collars	12.4	6.3	3.1
Blue collars	10.8	6.6	8.4
Total	**1.6**	**-2.3**	**-9.3**

In 2020, the "Value for Disability" project was launched, and in December 2020, companies adopted an Inclusion Plan for people with disabilities, which reflects the four pillars of the project. These pillars focus on the main obstacles faced by persons with disabilities in accessing jobs: Inclusion of persons with disabilities, organizational culture, digital and physical accessibility.

Future orientations are focused in the following areas: Internal capacity building, Creating an inclusive environment, Training and awareness-raising, Equal opportunities.

Also, in the same spirit, throughout 2023, a series of initiatives and workshops with various themes were carried out:

- **They continued to develop the Ability Line initiative,** at the heart of which is the needs of colleagues to be informed and supported. They have access to a dedicated e-mail address and telephone line, free of charge and confidential, where they can ask any questions about possible disabilities and their classification in accordance with the legislation on the degree of disability, the employment procedure, the diseases that determine the classification, etc. and they can receive support from a specialist, during the process, if they decide to go further.
- **Wellbeing Program** is a program through which companies want to contribute to the well-being of employees by implementing different initiatives and activities (newsletter on wellbeing topics, self-assessment tests, coffee breaks, online workshops on different topics). Each activity has a certain number of points and twice a year, these points are calculated, and colleagues who have reached the maximum score can also benefit from 2 paid days off twice a year.
- **Your personal counselor** was a very well received program, therefore, free psychological counseling was included in the medical subscription and every employee can benefit from these services.
- **Internal articles** addressing topics such as diversity: **Diversity and inclusion, engagement in Romania, Diversity creates opportunities and successful teams.**

6. Ocupational health and safety

6. Ocupational health **and safety**

The health, safety and well-being of employees and contractors are core values for Rețele Electrice Companies, reflecting the ongoing commitment to respecting human rights and promoting a strong safety culture. The companies recognize both legal and moral responsibilities, treating these issues with seriousness and determination by protecting them at all times and being dedicated to respecting human rights.

A major strategic objective of the companies is to reduce the risk of accidents at work and protect the safety of employees, pursuing the goal of zero accidents. To achieve this, Rețele Electrice Companies have implemented a comprehensive workplace health and safety program, which includes rigorous safety measures and a clear assessment of risks and hazards.

This program is designed to create a sustainable and safe work environment, bringing significant benefits to all employees and partners. Through preventive measures and constant monitoring, the companies ensure that safety standards are met, thus contributing to an organizational culture based on protection and well-being.

An efficient **Integrated Management System (IMS) has been implemented and certified in the Rețele Electrice Companies**, which aims at:

- defining a functional management model for all organizational units;
- ensuring the needs of relevant actors;
- monitoring the effectiveness and efficiency of the functioning of the processes;
- risk and opportunity management;
- implementation of best available practices;
- maintaining and improving organizational knowledge, as well as complying with legal, regulatory requirements.

The management system contributes to the monitoring and control of processes and the continuous improvement of their effectiveness and efficiency.

Occupational health and safety management is a strategic priority for Rețele Electrice Companies, being in accordance with the requirements of the ISO 45001 standard. This integrated management system focuses on the person and is certified, demonstrating the company's commitment to the protection and well-being of its employees.

The ISO 45001 certification underlines the commitment to the continuous improvement of working conditions, ensuring a safe and healthy working environment. The implementation of this system involves the identification and assessment of risks, the establishment of preventive and corrective measures, as well as the continuous monitoring and review of health and safety performance.

The system is applied throughout the organization, in all spaces and installations of distribution companies, being certified in the following areas:

- the provision of the electricity distribution service;
- design, development and modernization of electricity networks;
- operation and maintenance of high, medium and low voltage electricity networks;
- commercial electricity distribution operations 0.4 - 110 kV;
- connecting consumers, prosumers and producers to the electricity distribution network (RED);
- network connection management;
- electricity metering, balancing, forecasting and procurement services;
- testing of electrical equipment and installations.

The Rețele Electrice companies hold certificates of conformity, granted by an accreditation body that is a signatory to the EA MLA (European co-operation for Accreditation Multilateral Agreement).

The policies and procedures implemented are essential to ensure efficient and secure management of activities. The associated documentation, which includes policies, organisational procedures, operating instructions and technical documents, is subject to rigorous periodic verification. This review process aims to ensure that all information is appropriate and up to date, reflecting the latest requirements and best practices in the field.

In order to ensure the proper functioning and adequacy of the Integrated Management System, including the management of occupational health and safety, the Rețele Electrice Companies update the existing documents for the integration of the new requirements whenever necessary.

Thus, the Integrated Management System includes the following documents:

- Integrated Management System Manual
- Integrated Management System Policy Statement
- Management Program/ Action Plans
- Policies
- Organizational procedures
- Operative, technical, working instructions
- Working methods
- Documented information (documents and records), demonstrating the effective planning, operation and control of its processes.

During the reporting period, three minor road accidents, two other accidents, one fatal accident due to natural causes and one event with two deaths were recorded. Of the eight work accidents, five were registered at the REB level, two at the REM level and one at the RED level. Four other minor incidents requiring first aid were recorded (two at REM, one at REB and one at RED).

Following these events, a number of immediate measures were implemented to improve safety and prevent future accidents:

- immediate safety awareness campaign in each territorial unit, during which the management team, together with the safety and health department, went to the territory; They had dedicated meetings with the operational teams, where the lessons learned were discussed and the essential safety methods were strengthened with a focus on risk assessment;

- increasing the number of internal inspections; a new objective was set regarding the performance of inspections, emphasizing the reporting of non-conformities and the implementation of

the necessary preventive and corrective actions, their number increasing to 400, only in Banat;

- establishing a special day dedicated to fatal accidents (Stop4Safety day), in which all operational staff participated in safety discussions; During these discussions, employees contributed valuable proposals based on their experiences in the field.

A new series of measures with medium and long-term impact have been added to the measures with immediate effect, in order to strengthen the commitment of the Rețele Electrice companies to develop a safe working environment:

- expanding training campaigns focused on working methods and safety standards;
- increasing the number of planned inspections for internal staff, setting a target of over 1000 additional inspections and the weekly presence of teams within the health and safety department at shift changes to ensure continued compliance;
- intensifying the monitoring of safety procedures carried out before the start of work in order to identify, assess and remediate current and potential risks in real time, actively involving management in this process;
- the visual integration of detailed graphical representations of the required personal protective equipment (PPE) and safety rules into all work processes, thus ensuring a clear and complete application of these measures;
- implementation of training sessions through digitization; the use of dedicated applications, in order to strengthen the company's ability to manage safety in an efficient and modern way;
- designing a program to strengthen the safety culture at work with the support of an organizational psychologist; The implementation plan is based on a participatory approach, which includes one-on-one discussions with employees, in order to understand their perspectives and concerns in relation to safety and the work environment, along with discussion sessions with diverse groups of employees, as a result of which suggestions are collected and solutions are developed in accordance with the needs of employees.

These measures to improve the safety and health of operational personnel planned in 2023, as a result of the events recorded, have been added to a package of previously established measures, which aim to reduce the risk of accidents among operational personnel and achieve the desired objective, zero accidents. Among these measures we mention:

- applying the Five Golden Rules (focus on underground access ways) and monitoring the use of personal protective equipment for electrical hazards, as well as personal protective equipment for works at risk of falling from height;
- organization of trainings on NTE 009 (procedures and measures necessary for the safe operation and handling of equipment in medium and high voltage electrical networks) and operational instruction 2301 "Regulation of the regime of requests for withdrawal from service of equipment", followed by field checks to ensure their awareness and understanding;
- redefining and implementing the procedure for access to enclosed spaces and developing an inspection plan focused on these spaces, as well as a safety inspection plan focused on activities with electrical risk;
- elaboration of a technological modernization plan and an emergency plan for accessing and carrying out activities in units with compartments without interlocking;
- reviewing the accident risk assessment, along with the training of all employees;
- providing protections to all power supply points, in order to prevent the accidental entry of operational personnel into the premises of electrical cells under voltage;
- ensuring emergency lighting of sufficient intensity to carry out interventions at all MV and LV supply points, in safe conditions;
- ensuring a sufficient supply of fresh air within the MV and LV supply points, especially during periods of high temperatures and increased monitoring of the achievement of the fencing and physical delimitation of dangerous areas;
- closer monitoring of compliance with work instructions and procedures;
- the appointment of a supervisor for confined spaces.

6.1 Developing **a safety culture**

The safety culture within the Rețele Electrice Companies is defined by the continuous involvement of all employees, the integration of safety measures in all operational processes, the regular organization of training and educational activities on specific topics, the investigation and evaluation of each work accident, the rigorous selection and management of contractors, the periodic performance of internal and external audits, as well as the exchange of experience with international leaders in the field.

Rețele Electrice considers the protection of the physical and psychological health of employees as a fundamental value and is constantly dedicated to creating and maintaining a safe and healthy working environment for all employees, in accordance with the principles of precaution, prevention, protection and continuous improvement.

Companies conduct regular employee health risk assessments and adopt appropriate technologies and practices to optimize operational processes and continuously contribute to improving employee health and well-being. Therefore, before introducing a new process or modifying an existing one, all possible effects on employees' health are evaluated.

Specialist doctors, through dedicated occupational medicine contracts contracted by the distribution companies, actively participate in the identification and assessment of risks, contributing significantly to prevention, monitoring and health assurance at work.

In each of the Rețele Electrice companies, an Occupational Health and Safety Committee (CSSM) is established, which includes employee representatives, management

representatives, the occupational medicine doctor and representatives of the internal prevention and protection services.

This committee meets quarterly, and through its employees are consulted on working conditions and other topics related to health and safety at work along with aspects related to the safety and health of employees.

Also, the occupational medicine doctor participates in the CSSM meetings and presents the report on the employees' health status. On this occasion, measures are discussed and established to improve working conditions, where they are necessary.

During the periodic meetings of the Occupational Health and Safety Committee, the aspects related to communication, participation, consultation and continuous improvement are presented and analyzed, highlighting the results obtained from:

- management analyses of the H&S management system;
- managing objectives, achieving targets;
- the results of internal and external audits;
- management of non-conformities, corrective and improvement actions;
- any changes that may influence the management system.

In accordance with the guidelines of the World Health Organization (WHO), Rețele Electrice adopts the definition of health as "a state of complete physical, mental and social well-being and not just the absence of disease or infirmity". This definition serves as a guide in the activities carried out to ensure the health of the company's employees.

In order to maintain and promote the health and well-being of employees, the distribution companies imprement programs that focus on:

- **Staff Health**: initiatives include measuring essential health parameters and promoting a healthy lifestyle, aiming to reduce risk factors such as diseases, smoking, alcohol consumption, unhealthy diet, lack of physical activity, insufficient immunization, etc.
- **Working Conditions and Environments**: creating and maintaining working environments that ensure the safety and health of employees; this includes controlling environmental factors (noise, lighting, etc.) and providing equipment and tools that comply with health and safety regulations, respecting ergonomic principles in the organization of work and the design of workplaces.

6.2 Inspections

Inspections play a crucial role in ensuring the safety of employees in the energy sector, especially in the electricity distribution activity. They help identify and assess potential risks, ensuring compliance with safety and health regulations. By conducting regular inspections, companies can correctly and promptly identify non-conformities, thus preventing accidents and incidents. These measures not only improve employee safety, but also promote a robust health culture where safety is a constant priority and employees are aware of and responsible for safe work practices.

The most important activity that can be carried out in order to properly manage risks in the field of health and safety at work is perform inspections and visits to the premises of Rețele Electrice. They are carried out regularly and strictly, in order to identify current and potential risks, but also opportunities for improvement.

Several types of inspections are carried out within the Rețele Electrice companies, and in 2023, the total number of inspections was **8,226**.

Cross-inspections

These inspections are carried out in teams with a representative of another department, aiming to standardize control methods and facilitating the exchange of experience between colleagues with control responsabilities. In 2023, **254** cross-inspections were conducted, demonstrating a strong commitment to promoting health and safety at work.

Fuori Linea Inspections

As part of this type of inspections, dedicated inspectors carry out the inspection in a department other than the one in which they are employed, to obtain an objective perspective and identify aspects that routine might prevent department colleagues from noticing. In 2023,t **3,248** Fuori Linea inspections were carried out.

Wave Alert

These inspections are carried out in the form of an alert wave that lasts for a week, during which the safety and health inspectors dedicate their entire activity to field inspections. In 2023, **1,222** inspections were carried out under the Wave Alert, reflecting companies' unwavering commitment to employee safety.

Extra Checking on Site Safety Risks (ECOS)

These checks have as their main objective the inspection and reporting of the level of compliance with the safety and environmental rules, procedures and processes of the companies, highlighting the non-conformities, the areas for improvement and the necessary action plans, as well as the best practices identified. In 2023, three such additional checks took place.

The large number of inspections carried out, together with all the measures mentioned above, reflects the continuous efforts of the Rețele Electrice companies to maintain a safe and healthy working environment.

These actions demonstrate the company's firm commitment to reducing the risk of accidents and ensuring the safety and health of employees.

Also, to improve the process, the distribution companies met the needs of employees and digitized inspection forms by developing an online form.

It is accessible from mobile phones, allowing inspection staff to quickly enter and transmit all the necessary information.

6.3 Health and **Safety Initiatives**

In addition to the measures taken to reduce the risk of accidents and the inspections carried out, the Rețele Electrice companies developed a series of initiatives, communications and trainings. These steps, together with the other actions mentioned above, aim to increase awareness and understanding of the importance of paying more attention to health and safety at work.

All these actions are intended to develop a robust safety culture and contributing to the reduction of workplace accidents, with the goal of achieving zero accidents.

These include programs such as:

Safety Leadership: The program encourages managers to hold safety meetings with their teams, supported by the Department of Health and Safety. In 2023, **54** Safety Leadership sessions were held, with the participation of **710** employees.

Café Alert: This initiative facilitates discussions about risks and correct safety practices, in a relaxed environment, supported by the Department of Health and Safety before work begins. In 2023, 113 sessions were held with 1,342 contractors and 206 sessions in the operative units, benefiting 1,911 participants. In total, 319 sessions were held, attended by **3,253 employees**.

Stop Work: A vital policy for the immediate stop of activities in case of identification of unsafe behaviors or situations with a high degree of risk. In 2023, there were **113** such stops.

Non-conformities analysis: The problems identified in the field are analyzed in detail to find effective solutions. In 2023, 239 non-conformities were analyzed.

Video Tutorials: Four video tutorials have been created for operational colleagues, illustrating real activities and situations, having the employees who ensure the electricity supply as protagonists.

Training Videos: During the year, three videos were made on the use of fire extinguishers, first aid and fire evacuation, containing essential information and rules.

Leadership Video: The management team produced nine inspirational videos, each showcasing a manager and their approaches to safety in various distribution departments.

The Pact for Life: represents a commitment made by the leadership of companies to prioritize safety in the workplace.

Safety Day: Every year, around April 28, a series of activities are organized that aim to promote and celebrate safety. In 2023, two workshops on health and road traffic were held, a competition with **261 participants** (86 awardees), along with a series of meetings on relevant topics.

Awareness Campaign through Visual Illustrations: visual materials applied to protective machinery and equipment were created, in the form of checklists, to remind the steps and equipment needed for various activities.

In addition to the usual activities, the Rețele Electrice Companies carry out programs dedicated to educating children and students about safety in the electrical field. In 2023, more than 100 children participated in interactive activities with protective equipment and virtual reality.

Also, within the "Safety at School" initiative, colleagues from Dobrogea offered interactive lessons in 14 sessions for 22 classes of students from Constanta. These programs emphasize the commitment to educate and protect future generations.

6.4 Learning **and Training**

Rețele Electrice companies understand the importance of employee health and safety, therefore, they provide specialized training aimed at improving employees' knowledge and skills in the field of workplace safety. Through these efforts, the distribution companies ensure that staff are well-trained to prevent accidents and promote a healthy and safe working environment.

Training

In 2023, **more than 800** electricians participated in theoretical and practical training in the polygons dedicated exclusively to these learning activities. The training materials used have been created in the form of didactic units, which include the most important information structured to be easily remembered. Practical trainings are an important stage of the training process, in which all colleagues from the Health and Safety Department participate together with the operational staff. They dedicate a large part of their time to training the operative staff, remaining available to them throughout the year. This creates a way of communication between experienced and younger employees, who have the opportunity to exchange useful experiences and receive valuable advice and recommendations.

Specialized trainings

The Rețele Electrice companies aim to ensure that all staff are always informed and prepared. In this regard, a strategic partnership was initiated with a group of external instructors to organize specialized training sessions, with a focus on performing the sleeves.

This collaboration underlines the commitment of the distribution companies that are committed to ensuring high standards of training and competence among employees.

The main topics addressed in 2023:

- equipotentiality;
- the correct use of the PRB;
- LV activities;
- Sleeves;
- borderline avoidance situations and safety observations;
- workplace risk assessment.

First Aid Courses: these courses were organized in several cities in the country, and as a result of them **580 colleagues** learned how to provide first aid in case of emergency.

6.5 Contractor **Management**

Contractors evaluation

Each contractor who wants to work with Rețele Electrice, as part of the tender process, must go through an evaluation in terms of health and safety at work. Additionally, an evaluation of contractors during the contract period has also been implemented.

Thus, based on the available data and evidence, as well as other information from the qualification, tendering, active contract and consequence management stages, the Department of Health and Safety prepares the Annual Contractor Evaluation Plan for contractors working with Rețele Electrice companies.

For contractors with low performance, a procedure has been established that includes an initial evaluation. Depending on the results, they receive support for four months.

After this deadline, a new evaluation takes place to monitor progress and help them improve their results and key performance indicators.

They are provided with an action plan that includes weekly supervision, inspections and regular meetings.

The aim is to evaluate the contractor's performance by covering the most relevant safety aspects, such as regulations, training and best practices, including cultural and leadership aspects. The result of the evaluation is represented by two separate scores: one for the technical aspects and one for the cultural and leadership aspects.

In the event that an Action Plan is required for the technical component, a detailed list of actions is drawn up, and each action is assigned to a validator, represented by an employee of Rețele Electrice responsible for monitoring the completion of the action.

The contractor shall periodically send to the Department of Health and Safety, as well as to the Contract Management Unit (for ongoing contracts only), evidence of the completion of the action plan. This evidence is analysed with the support of validators to highlight any inconsistencies or unsatisfactory levels.

Contractor training

During 2023, approximately **700** training sessions dedicated to contractors were organized, attended by **6,201**, and the main topics were:

- the legislation in force in the field of Occupational Health and Safety;
- policies, organisational procedures, technical instructions;
- reporting of events: accidents, accidents avoided at the limit;
- STOP WORK policy;
- electrical works - The 5 Golden Rules;
- the Buddy Partner concept;
- Toolbox Talk;
- how to carry out inspections on the OSH line;

The distribution companies organized three main meetings with contractors in Bucharest, Constanta and Timisoara. These sessions were mainly aimed at exchanging information and best practices, as well as aligning with safety and regulatory requirements.

At the same time, a common space has been created, where contractors can access the documents and materials necessary to carry out their activities safely.

6.6 Safety Equipment **and Amenities**

Rețele Electrice companies attach great importance to personal protective equipment (PPE), recognizing the essential role they play in ensuring the safety of employees.

The budget for protective equipment in 2023 for the three Distribution companies was **2.6 million euros**.

The costs also include services such as occupational medicine, checking fire extinguishers, checking electro-insulating equipment, etc.

In 2023, safety equipment was purchased, such as: voltage and phase correspondence detectors for MV lines and substations, 8 and 10 meter sliding ladders, light metal alloy ladders for climbing 12-meter tubular poles, short circuits, measuring devices and tool kits, with a total value of **1.8 million euros**.

Using them is useful for employees to carry out their work safely.

Also, to ensure the comfort and safety of employees, carbonated mineral water for the hot period and tea for the cold period are purchased.

In the last quarter of 2023, a vaccination campaign was organized to which all employees of the three distribution companies had access.

They had the option of getting vaccinated, either at the vaccination points organized in the headquarters of the distribution companies, or at the medical service provider's clinics. Beforehand, they were informed about the benefits and contraindications of the flu vaccine and received the vaccine leaflet. During this campaign **215 employees were vaccinated**.

PROTECTIVE CLOTHING:

- Arc Resistant Work Suit
- Waterproof jacket and pants
- Thermal insulating clothes
- Summer and winter footwear
- Insulating boots
- Work and insulating gloves
- Helmets
- Reflective jacket
- Belts for working at height
- Ropes

PROTECTIVE DEVICES:

- Voltage Detectors
- Insulating rods
- Sleeves
- Panels
- Electro-insulating sheaths
- Anti-animal devices
- First aid materials (kits, anti-burn and anti-wasp spray)
- Fire prevention and extinguishing materials, fire extinguishers, occupational safety indicators

6.7 Certifications

Since 2022, Rețele Electrice companies have been SR ISO 45001:2018 certified on the occupational health and safety management system. Throughout 2023, they continued to take strong action to promote a culture of safety.

A dedicated team of qualified professionals constantly monitors health and safety performance, and the companies continue to invest in programs and initiatives, as well as training, to ensure a safe and healthy working environment for all employees.

The certificates of conformity held by the distribution companies Rețele Electrice Banat, Rețele Electrice Dobrogea and Rețele Electrice Muntenia are valid until 2025 and certify the operation of SMI in relation to the ISO 9001 "Quality Management", ISO 45001 "Occupational Health and Safety Management standards", ISO 14001 "Environmental Management", ISO 50001 "Energy Management" and ISO 37001 "Anti-Bribery Management".


RINA SIMTEX
CERTIFICAT Nr. / CERTIFICATE No. OHS-4627
E-DISTRIBUTIE BANAT S.A.
ISO 45001:2018 (SR ISO 45001:2018)


RINA SIMTEX
CERTIFICAT Nr. / CERTIFICATE No. OHS-4628
E-DISTRIBUTIE DOBROGEA S.A.
ISO 45001:2018 (SR ISO 45001:2018)


RINA SIMTEX
CERTIFICAT Nr. / CERTIFICATE No. OHS-4626
E-DISTRIBUTIE MUNTENIA S.A.
ISO 45001:2018 (SR ISO 45001:2018)

7. Company performance

7.1 Financial **performance**

The financial results obtained by Rețele Electrice companies in 2023 confirm the efficiency of the business model, which helped the companies successfully face a year full of challenges. Rețele Electrice companies focus on economic development and long-term performance by generating value in a sustainable way.

To achieve this goal, companies attach great importance to financial performance, operational efforts, providing quality services and caring for their colleagues. Also, companies fulfill their obligations to the state as a priority. In 2023, Rețele Electrice companies paid a total of over **RON 33 million** in tax contributions to the government and community investments.

This significant amount contributes to state and local budgets and has a positive impact on society. These indirect contributions could be equivalent to:

- Purchase and installation of 50 complete photovoltaic systems, with a total power of approximately 35 kW;
- Modernization and rehabilitation of five kindergartens;
- Equipping three hospitals with imaging equipment.

Direct economic value generated	2023	2022
Name	**RON Value**	
Revenue	2,945,476,031	3,749,254,898
A. Total direct economic value generated	**2,945,476,031**	**3,749,254,898**
Economic value distributed		
Operating costs	**RON Value**	
Rețele Electrice Banat	509,549,546	751,000,671
Rețele Electrice Dobrogea	447,728,692	683,062,814
Rețele Electrice Muntenia	771,286,065	1,178,821,272
A. Total	**1,728,564,303**	**2,612,884,757**
Employee Salaries and benefits	**RON Value**	
Rețele Electrice Banat	118,889,406	108,581,114
Rețele Electrice Dobrogea	96,434,258	87,135,845
Rețele Electrice Muntenia	169,431,086	151,961,410
B. Total	**384,754,750**	**347,678,369**
Payments to capital providers		
Rețele Electrice Banat	10,166,156	1,290,479
Rețele Electrice Dobrogea	18,479,198	11,617,832
Rețele Electrice Muntenia	2,525,143	800,454
C. Total	**31,170,497**	**13,708,765**
Payments to Government and Community Investments		
Rețele Electrice Banat	10,990,689	13,497,901
Rețele Electrice Dobrogea	8.085.970	6,743,507
Rețele Electrice Muntenia	14,341,463	19,359,800
D. Total	**33,418,122**	**39,601,208**
B. Total distributed economic value (A+B+C+D)	**2,177,907,672**	**3,013,873,099**
Retained economic value	**767,568,359**	**735,381,799**

7.2 Technical performance

Rețele Electrice companies are committed to providing quality distribution services for all customers, both existing and new. They focus on expanding and modernizing the distribution networks, improving voltage levels and ensuring a continuous and secure supply of electricity to all users.

Achieving technical targets is essential for developing a reliable and resilient grid, reflecting companies' commitment to supporting technical performance.

Through strategic investments in the modernization, expansion, automation of the network, distribution companies ensure that the performance standards of the distribution network remain at a high level, meeting the needs of consumers and contributing to a safe and sustainable energy future

Installation volume

Rețele Electrice Banat - components of the electrical distribution network	U.M.	Values as of 31.12.2023	
High voltage power lines (110 kV)	km	2,714	
Medium voltage power lines	km	13,059	
Low voltage power lines	km	17,054	
Low voltage connections	km	12,931	
Primary substations (connection and/or transformer) 110 kV	No./MVA	97	4,200
Primary substations (connection and/or transformer) with voltage steps lower than 110 kV	No./MVA	25	243
Secondary stations	No./MVA	8,889	2,232
Supply points	No./MVA	17	-

Rețele Electrice Dobrogea - components of the electrical distribution network	U.M.	Values as of 31.12.2023	
High voltage power lines (110 kV)	km	2,655	
Medium voltage power lines	km	10,867	
Low voltage power lines	km	11,094	
Low voltage connections	km	13,954	
Primary substations (connection and/or transformer) 110 kV	No./MVA	22	4,198
Primary substations (connection and/or transformer) with voltage steps lower than 110 kV	No./MVA	74	334
Secondary stations	No./MVA	6,471	2,049
Supply points	No./MVA	21	5

Rețele Electrice Muntenia - components of the electrical distribution network	U.M.	Values as of 31.12.2023	
High voltage power lines (110 kV)	km	1,164	
Medium voltage power lines	km	12,321	
Low voltage power lines	km	23,545	
Low voltage connections	km	12,615	
Primary substations (connection and/or transformer) 110 kV	Nr./MVA	70	5,193
Primary substations (connection and/or transformer) with voltage steps lower than 110 kV	Nr./MVA	0	-
Secondary stations	Nr./MVA	9,619	4,128
Supply points	Nr./MVA	196	169

Own technological consumption achieved in 2023 by Rețele Electrice companies

Company	U.M.	High Voltage	Medium Voltage	Low Voltage	Total
Rețele Electrice Banat	MWh	41,229	132,408	318,416	492,053
	%	0.81	3.16	13.1	9.2
Rețele Electrice Dobrogea	MWh	80,985	126,574	240,902	448,460
	%	1.6	3.96	12.17	8.22
Rețele Electrice Muntenia	MWh	44,423	242,289	507,668	794,380
	%	0.53	3.07	11.11	9.08

Number of disconnections for non-payment in 2023

Company	2021	2022	2023
Rețele Electrice Banat	2,223	11,295	12,203
Rețele Electrice Dobrogea	2,336	8,684	11,028
Rețele Electrice Muntenia	3,609	14,307	21,702

Average reconnection time (days) for the consumption place after issuing the payment notification (all types of users)

Company		Total average time 2021	Total average time 2022	Total average time 2023
Rețele Electrice Banat	JT	1.59	2.37	1.20
	MT	1.86	2.33	2.03
Rețele Electrice Dobrogea	JT	1.38	1.26	0.80
	MT	1.23	0.91	0.72
Rețele Electrice Muntenia	JT	2.49	2.17	1.16
	MT	1.86	1.45	5.74

7.3 Assumed **targets**

Each year, Rechete Electrice companies pay special attention to achieving their targets and proposed results by investing in the modernization and automation of networks to continuously improve the services offered and operational performance, prioritizing the needs of end consumers.

Rețele Electrice companies have the largest number of smart meters installed so far in Romania, reaching 1,504,837 units installed at the end of 2023.

Smart metering

Company	Targets for 2023	Results 2023	Target achievement (%)
Rețele Electrice Muntenia	57,992	66,265	114%
Rețele Electrice Banat	42,625	45,648	107%
Rețele Electrice Dobrogea	35,955	41,867	116%

The smart meter installation program is implemented in accordance with the plan approved by the National Energy Regulatory Authority (ANRE). In 2023, Rețele Electrice companies installed a total of 153,780 smart meters, thus exceeding the assumed targets and demonstrating the commitment to decarbonization and electrification, by accelerating the network digitalization process.

The smart meters allow end consumers to access and monitor their consumption data, giving them better control over how they choose to consume, helping to increase energy efficiency. In addition, smart meters provide information that reduces the time needed for interventions, some operations being carried out remotely.

Company	Total number of smart meters installed at the end of 2023
Rețele Electrice Banat	431,229
Rețele Electrice Dobrogea	371,428
Rețele Electrice Muntenia	702,180
Total	1,504,837

SAIDI Index – Continuity in electricity distribution

SAIDI 31.12.2023		SAIDI	Cumulative	Achieved Vs. Plan (cumulative)
Rețele Electrice Banat	Monthly	Achieved	105	-11%
	Cumulative	Plan	119	
Rețele Electrice Dobrogea	Monthly	Achieved	97	2%
	Cumulative	Plan	95	
Rețele Electrice Muntenia	Monthly	Achieved	77	-5%
	Cumulative	Plan	81	
România	Monthly	Achieved	90	-6%

SAIFI Index – Continuity in electricity distribution

SAIFI 31.12.2023		SAIFI	Cumulative	Achieved Vs. Plan (cumulative)
Rețele Electrice Banat	Monthly	Achieved	2.6	-17%
	Cumulative	Plan	3.2	
Rețele Electrice Dobrogea	Monthly	Achieved	2.8	16%
	Cumulative	Plan	2.4	
Rețele Electrice Muntenia	Monthly	Achieved	2.3	-31%
	Cumulative	Plan	3.3	
România	Monthly	Achieved	2.5	-12%
	Cumulative	Plan	2.9	

As in previous years, Rețele Electrice companies achieved significant results, regarding the SAIDI index, which was below the national average. This was made possible by continued investments in the modernization of the distribution network, confirming the companies' commitment to providing quality services, along with constant efforts to ensure the continuity of electricity supply.

8. Grid Modernization and Digital Transformation

8.1 Investments

Investments in the modernization and digitalization of networks continue to remain a priority for Rețele Electrice companies, who understand the impact these have on the quality, resilience and reliability of the distribution network.

Even though 2023 was full of challenges, the three distribution companies continued to invest in new projects to modernize and expand the network, which included measures such as increasing network capacity, digitizing networks and automating stations by introducing the automatic control system or replacing equipment with more performing ones.

All these investments have led to the increased performance of the networks and to an increase in the quality of the distribution service by ensuring the energy needs and access to the network for a constantly growing number of users.

By investing in grid modernization and adopting advanced technologies, Rețele Electrice companies have committed to responding to the dynamics of consumer needs and supporting the sustainable development of energy infrastructure.

As a result of the investments in network automation, we can say that a significant percentage of the stations that are under the management of the Rețele Electrice are integrated into the automatic control system, as follows:

Company	Total number of Primary substations	Primary substations in Automatic control	Percentage of Primary substation in automatic control
Rețele Electrice Banat	106	104	**98%**
Rețele Electrice Dobrogea	122	102	**84%**
Rețele Electrice Muntenia	67	65	**97%**

In 2023, **he Rețele Electrice companies invested approximately RON 366 million in the digitization and modernization of electricity equipment and networks**, as follows:

Company	Project Type	Number of projects	Projects value (RON)
Rețele Electrice Banat	Energy capacity increase (transformative amplifications)	54	11,751,831.50
	Grid Extensions	19	2,657,028.64
	Modernization works	59	76,904,733.46
	Measure centralizations	5	2,973,366.77
	Smart Meter Project	1	17,896,646.09

Company	Project Type	Number of projects	Projects value (RON)
Rețele Electrice Dobrogea	Energy capacity increase (transformative amplifications)	23	887,531.90
	Grid Extensions	9	3,421,745.14
	Modernization works	46	56,312,784.70
	Measure centralizations	2	5,460,974.09
	Smart Meter Project	1	16,500,448.61

Company	Project Type	Number of projects	Projects value (RON)
Rețele Electrice Muntenia	Energy capacity increase (transformative amplifications)	38	9,076,391.28
	Grid Extensions	14	8,839,978.22
	Modernization works	34	112,318,916.67
	Measure centralizations	1	15,953,217.62
	Smart Meter Project	1	25,106,775.49

8.2 Infrastructure
Investments

The Rețele Electrice companies reaffirm their commitment to ensuring an efficient distribution of electricity, focusing on increasing the performance of the networks through a customer-oriented strategy.

In the context of accelerated electrification and energy transition, Rețele Electrice prioritizes the modernization and expansion of networks to meet current challenges, facilitating the energy transition process towards a low-carbon economy.

Upgrading and digitalizing grids are essential, enabling the efficient management of large energy flows, reducing disruptions and developing a resilient grid. These actions allow real-time monitoring, efficient management of resources and optimization of grid performance, providing consumers with quality services in an ever-evolving energy environment.

In addition, climate change and the strategic orientation of the Rețele Electrice companies towards sustainability, together with the ambitions to reduce GHG emissions, contribute to the companies' strategy and development plans, through robust commitments on the modernization and digitalization of the networks.

Through investments and the adoption of advanced technologies, distribution companies are committed to meeting changing consumers' needs and contributing to the sustainable development of the energy system.

In 2023, Rețele Electrice companies implemented a series of major projects to modernize the infrastructure and improve the safety and efficiency of distribution services. These initiatives, carried out in the three regions, highlight the companies' commitment to ensuring a reliable and stable electricity supply.

Investments in Rețele Electrice Muntenia

MODERNIZATION OF THE GLINA TRANSFORMER STATION
Amount invested: over 4.7 million RON.
Benefits: Increasing the capacity of the station by 30 MVA by equipping it with two transformers of 40 MVA each, which replaced the old 25 MVA transformers. Modernization and extension of installations, primary and secondary circuits, installation of medium voltage cells and integration of the substation into the automatic-control system.

These improvements ensure a reliable electricity supply for more than 6,500 domestic and industrial customers, while reducing their own technological consumption.

MODERNIZATION OF THE DUDESTI TRANSFORMER STATION
Amount invested: 7 million RON.
Benefits: Increase the installed capacity by 30 MVA, by replacing the old transformers with new ones of 40 MVA, with reduced losses.

Improving the safety of the network by insulating the medium voltage busbars, a measure that also contributes to the protection of the local fauna.

Modernization of the 6 kV section and its integration into the automatic-control system, facilitating optimal conditions for the electricity supply of approximately 7,700 consumers in the east of Bucharest, including industrial customers.

PURCHASE OF CONCRETE POLES
Amount invested: 21 million RON.
Benefits: Purchase of approximately 4,500 centrifuged concrete poles, which will be used for the modernization and maintenance of approximately 225 kilometers of medium and low voltage network. These poles offer an increased lifespan and reliability, helping to improve the stability and performance of the power grid in Bucharest and Ilfov and Giurgiu counties.

Investments in Rețele Electrice Banat

CONSTRUCTION OF THE DUMBRĂVIȚA TRANSFORMER STATION
Amount invested: RON 23.59 million.
Total project value: 50 million RON.
Benefits: Development of a new, fully digitized and automatic-controlled substation with a capacity of 50 MVA, provided by two 110/20 kV transformers, for the benefit of over 5,300 customers.

The station is one of the most advanced in the country, and another 27 million RON will be invested in the medium voltage networks connected to the transformer station.

By increasing the capacity of the distribution network, the project will significantly improve the safety and quality of the distribution service, supplying domestic and industrial consumers.

The station is equipped with new transformers, which contribute to the reduction of losses, according to European standards, and 22 cells equipped with state-of-the-art protections, with the possibility of expansion for another 12 cells, to which both producers and consumers can connect. Some of the 110 kV equipment is produced in Romania, and the new installations are compact, efficient, with low own consumption and minimal risks for the environment. For the connection from the power transformers (110/20kV) to the medium voltage cells, heat-shrinkable insulating material was used, thus protecting the medium voltage busbars and the fauna in the area.

To ensure a high level of energy efficiency, the station building was thermally insulated and the lighting is provided by LED lighting fixtures.

MODERNIZATION OF THE ENERGY INFRASTRUCTURE IN ARAD COUNTY
Amount invested: 7.5 million RON
Benefits: Modernization of 12 km of low voltage network, respectively 41.7 km of medium voltage network in several localities, installation of 530 new connections. All these investments benefit approximately 24,000 customers.

The projects include works on 330 medium-voltage poles and looping of medium-voltage lines to increase power security and reduce the duration of unplanned outages, as well as works on underground networks with a length of approximately 5.5 km.

8.3 Projects Financed by **Modernization Funds**

In 2023, the Ministry of Energy together with the companies Rețele Electrice Muntenia, Rețele Electrice Banat and Rețele Electrice Dobrogea signed several financing contracts through the Modernization Fund, with a total value of approximately RON 340 million. These funds are intended for the modernization of the electricity networks in the three regions, with the aim of improving the security of electricity supply, reducing network losses and improving the quality of services. The maximum amount insured from the Modernization Fund is 80% of the eligible expenses, the difference of 20% being fully borne by the Rețele Electrice companies.

Rețele Electrice Muntenia Projects

The company Rețele Electrice Muntenia has signed a contract worth **RON 76.46 million** for a project in Ilfov County, which aims to modernize the electricity distribution networks, reduce network losses and improve the safety and continuity conditions of the distribution service in the Dascălu, Petrăchioaia, Ștefănești and Afumați areas. Following the project, the medium voltage circuits will be resized and reconfigured, transformer substations will be modernized and integrated into the automatic-control system.

Rețele Electrice Banat Projects

The Rețele Electrice Banat Company will carry out three projects with a cumulative value of approximately **RON 162 million**. A project worth RON 46.33 million will take place in Timisoara and aims to build looped medium voltage lines to ensure reliable power supply to the user, modernization of transformer substations and integration of an automatic-control system. As part of this project, the medium voltage lines between the transformer substations will be reconfigured over for about 18.5 km, so that they will connect, in total, 23 transformer substations. These measures contribute to increasing the security of supply to consumers and reducing energy losses by increasing the capacity of the grid for new consumers. The project will be completed in 2026.

Another project worth RON 58 million aims to modernize the medium and low voltage distribution network in Cenad, which will benefit over 1,600 customers from the project. The work will include the modernization and amplification of eight transformer substations, the modernization of the low voltage network, the installation of fiber optic lines and electricity quality analyzers in each transformer substation.

The third project, with a total value of RON 57.6 million, aims to increase the security of supply in the Trei Ape recreational area in Timiș County, through the looping of two overhead power lines, the modernization of 13 underground substations, the construction of 4.4 km sections of MV lines and the underground passage of new medium voltage lines on a 10.3 km route. In addition, the network in the area will be strengthened by the construction of two new medium voltage lines of 17.8 km and 9.2 km each, thus becoming more resilient.

Rețele Electrice Dobrogea Projects

In Constanța County, Rețele Electrice Dobrogea will carry out two projects through financing, with a total value of about **RON 100 million**. A project for the modernization of a medium voltage line, with a total value of RON 52.3 million, involves the underground passage of an overhead line over a length of 27.53 km and the modernization of the transformer substations in the Valul lui Traian and Murfatlar areas. Over 4,000 customers will benefit from them.

The second project, worth a total of RON 47.71 million, aims to develop and modernize the electricity grid in Năvodari.

8.4 Digital **Transformation**

Digitization

Digitalization plays a crucial role in the energy sector, especially in the context of the energy transition and the need to respect and protect the environment.

By adopting digital technologies and automation, distribution companies can manage networks more efficiently, optimizing energy flows and reducing losses, significantly contributing to increased operational efficiency and reliability.

Automating repetitive processes helps reduce human error and increase efficiency, leading to lower costs and improved response to market demands.

Real-time data analysis also optimizes processes and facilitates quick and informed decision-making, providing valuable insights for identifying trends, forecasting consumption, and improving services.

Digital technologies also allow for more effective communication in the relationship with customers, contributing to their satisfaction. Digital platforms ensure fast and efficient access to services, significantly improving the user experience. These advantages make digitalization an essential factor for competitiveness and long-term success.

Retele Electrice companies are giving an increased interest to developments in processes and new technologies through digitalization. In this regard, they aim to implement several solutions to transform distribution networks into resilient, participatory and sustainable systems, as well as to improve operational processes.

These efforts reflect the companies' commitment to adopt advanced technologies and to continuously innovate, thus ensuring an efficient and reliable distribution of electricity, in line with sustainability and energy efficiency objectives.

Network Efficiency and Automation

Digital technologies enable the automation of network monitoring and control processes, reducing errors and operational costs. In this regard, Rețele Electrice companies invest in modern systems for integrating substations into automatic control.

The Automatic-Control System is a state-of-the-art technology that allows remote control of interruption and maneuvering devices in the power grid. By implementing this technology, we considerably reduce the duration of interruptions in the electricity supply and the fault remedy time, because there is no need for intervention teams to travel on-site.

Also, the use of the **SCADA (Supervisory Control and Data Acquisition) system** permite monitorizarea și controlul în allows real-time monitoring and control of distribution networks. Thus, data is collected directly from the equipment of the distribution network, such as transformer stations. The system generates alarms and notifications in the event of faults, and constant monitoring allows for quick identification of faults and anomalies in the network, such as power surges, outages or other operational problems. Thus, remote commands can be sent for opening and closing switches or other necessary operations.

The system helps to reduce the duration and frequency of outages, ensuring a continuous and reliable supply for consumers. It allows for fast and accurate interventions, reducing intervention time and costs associated with maintenance and repairs, and by monitoring and analyzing data in real time, distribution companies can anticipate and prevent problems, thus improving the overall performance of the network.

Access to electricity distribution network data is essential for organizing, planning and coordinating maintenance activities, both for planned and unplanned works. To improve these activities, distribution companies have adopted the **Network Digital Twin solution**, which digitizes the elements of the electrical distribution network, allowing virtual inspections to be carried out and technical solutions to be identified.

The digitalization of the grid includes high, medium and low voltage overhead power lines, as well as substations and transformer substations. This process optimizes maintenance work by reducing the number of field trips and integrating 2D and 3D photos of the network for detailed visualization. By 2023, more than 6000 km of high-voltage lines and 5900 km of medium-voltage lines have been digitized, and the mobile mapping process for low-voltage lines has covered the first 1200 km.

The use of LIDAR technology and 2D and 3D photos facilitates the rapid identification of technical solutions, the optimization of interventions and the improvement of network management, contributing to a more efficient and resilient distribution system. The creation of the digital electrical distribution network is carried out through drone helicopter inspections, mobile mapping or terrestrial laser scanners.

Consumption Management and Monitoring

The smart metering system is an important component of digitalization in the energy sector. Rețele Electrice companies have the largest number of smart meters installed so for in Romania and continue to invest in their installation.

Meters are just one element of the smart metering system present in retrofitted grids. This system also includes data concentrators, which collect the information from the meters and transmit it to the transformer substations. The data collected by smart meters allows for detailed network analysis, providing a strategic advantage by identifying areas or network segments that are performing below accepted standards.

In addition, smart meters help protect consumers from power surges. A meter that actively communicates with the central system can provide valuable information about the position, type and magnitude of possible incidents in the network, thus reducing intervention time and discomfort for customers. Many of the interventions can be performed remotely, increasing the efficiency and speed of the response.

Through these functionalities, smart metering plays an essential role in the modernization of electricity distribution networks, contributing to a safer, more efficient and reliable operation. Automation and Operational Efficiency Digitalization offers major opportunities for automating repetitive processes, thus contributing to cost reduction and improved response to market requirements.

Process automation

As in previous years, Rețele Electrice companies continued in 2023 to implement solutions from the Grid Blue Sky program, managing to fully adopt solutions such as:

- **AURORA** - solution for dynamic monitoring and management of complex development projects, to identify and measure the evolution of the project, but also to identify deviations from the basic planning with the possibility of introducing new performance indicators.
- **AIDA** - the solution allows the digitization of the process of recording and analyzing a near miss or work accident situation; the reporting of a "Near Miss" event can be done directly from the mobile application, and notifications can be automatically sent to stakeholders when such events are reported.
- **Emergency Management** - the solution addresses network operation, dispatching and planning activities; the developed platform collects real-time data on the number of customers without electricity supply and generates different types of reports necessary in emergency situations; a new module was added in 2023 that assesses the risk of emergencies, using three criteria: weather forecast, network status and availability of resources (personnel, vehicles, materials, equipment, etc.) with automatic alerts to internal resources, contractors and other relevant actors.

Process automation remains important for Rețele Electrice companies that attach major importance to this aspect, having plans to adopt complex **ERP (Enterprise Resource Planning) systems** in the coming years, to improve the efficient management of all processes and resources throughout the organization.

Digitalization in Customer Relationship

Rețele Electrice companies use digital platforms to facilitate communication with customers and monitor energy consumption. Customers can access these platforms to contact the company, view consumption details, and manage online services.

Also, in order to simplify and streamline services, the connection process was digitized, through the virtual visit.

The virtual visit is an alternative to the field visit carried out by technicians in order to identify on site the most appropriate solution for the customer's connection request. The virtual visit applies only to simple, low-complexity situations, such as a connection for a house or a power increase, aspects that will be established by the employees of the Rețele Electrice companies. It is important to note that the virtual visit can only take place following an assessment and depending on the specific details of the request.

For more information on the digital platforms available to customers, we invite you to consult the chapter "Customer Relationship".

Next, Rețele Electrice companies are interested in increasing efficiency in commercial relations by digitizing the processes and flows used in the relationship with suppliers, consumers and prosumers, through more efficient monitoring of consumption and more efficient and faster services dedicated to them.

Cybersecurity

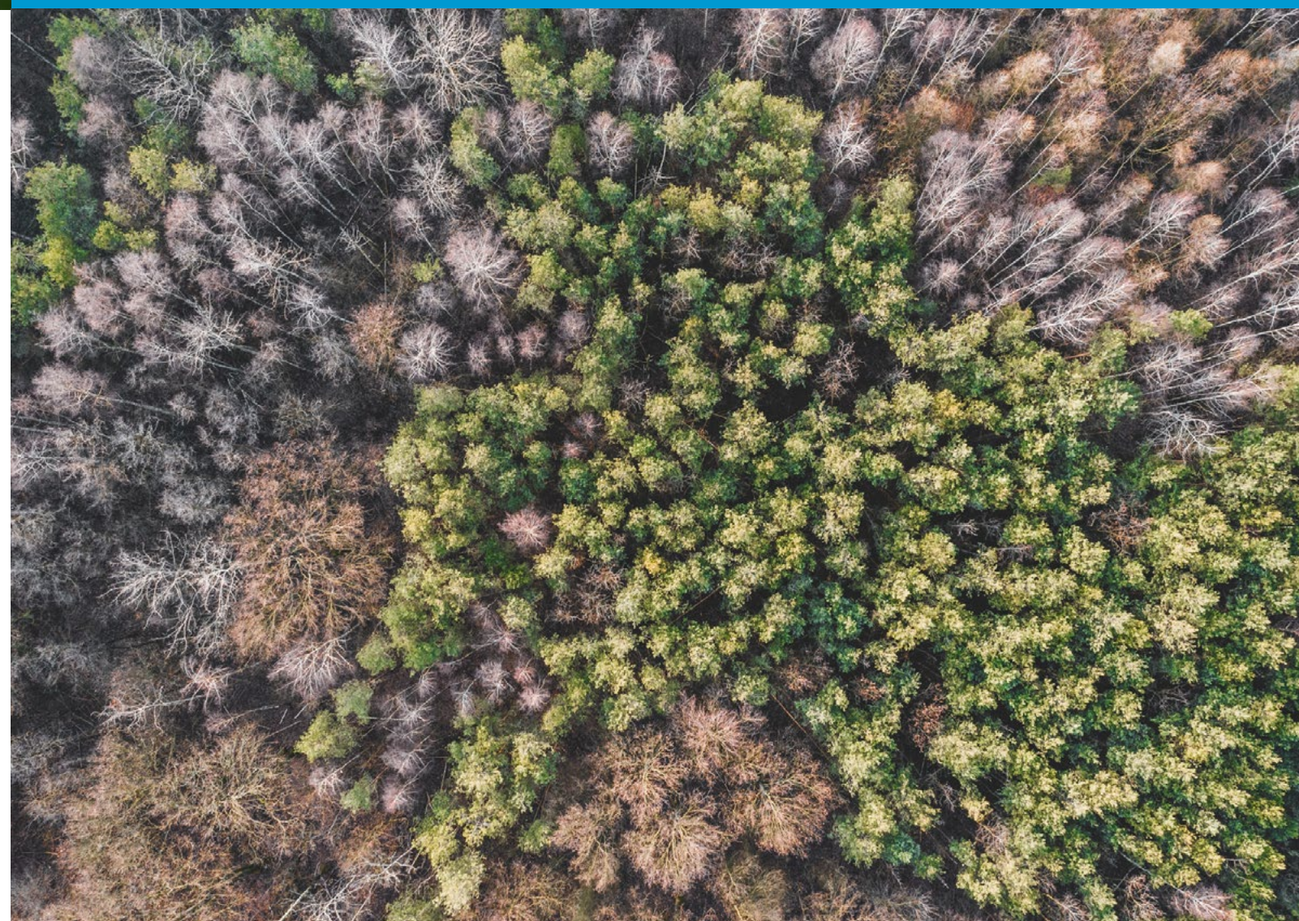
Cybersecurity is essential for companies, having the role of protecting sensitive data, critical infrastructure and the integrity of business operations against cyber threats.

Rețele Electrice Companies are part of the list of operators of essential services/ critical infrastructures, which makes security extremely important for them. That's why a robust approach to cybersecurity helps prevent security breaches.

In this regard, Rețele Electrice companies are permanently concerned with the development and implementation of effective cybersecurity strategies. That is why they aim to implement a new Security Governance Framework, aligned with international standards and best practices in the field, aimed at increasing resilience.

This framework is based on a security strategy integrated with the business strategy and the information technology strategy.

9. Environment and Climate Change



9. Environment and **Climate Change**

Sustainability represents a core value for the Rețele Electrice companies, essential to their mission. As energy distributors, they recognize the importance of promoting a sustainable future and are committed to protecting the environment and mitigating climate change.

The companies play a crucial role in ensuring the reliable and efficient delivery of electricity, aware of the environmental impact of operations. They integrate sustainability principles into all aspects of their business, actively promoting renewable energy sources and reducing emissions from their own operations.

Energy efficiency is fundamental to sustainability efforts. The main energy consumers are administrative headquarters and energy assets, followed by transport, heating/cooling and internal services. Companies are adopting cleaner fuel sources for vehicle fleets, implementing energy-efficient practices and integrating emission control measures into operational processes. They aim to inspire other players in the energy sector to prioritize reducing emissions and managing environmental issues appropriately.

Environmental Risk Management

All three Rețele Electrice companies have developed annual environmental management programs, which have included actions to achieve the specific objectives of the commitments adopted. In addition to the specific objectives and actions, the programs include those responsible for achieving the objectives, the performance indicators, their target, those responsible for the actions and the deadlines for achieving them.

The common commitments of the Rețele Electrice companies were:

- Protecting the environment, preventing pollution and protecting biodiversity by implementing specific programs, using the best available technologies and applying the concept of circular economy.
- Sustainable development through the rational use of resources, procurement and supply of energy-efficient products, materials and services, including appropriate design to ensure health, safety, quality, environmental protection and improvement of energy performance.
- Informing, training, participating and consulting employees, communicating relevant information regarding quality, health, safety, environment and energy to all its own employees, third parties and other relevant actors, taking into account the organizational context and promoting continuous collaboration with relevant actors.
- Implementation of the requirements of the reference standards, certification/ recertification, maintenance and continuous improvement of the integrated management system.

Within Rețele Electrice, measures are taken to avoid pollution of the environment (water, soil, subsoil, flora and fauna) caused by accidental oil spills. Waste storage is carried out in a controlled manner in designated areas, on waterproofed platforms and in specific containers, which are kept in good condition to ensure the protection of human health and the environment.

In the event of accidental spills, prompt and safe measures are taken to remedy their consequences. A mobile intervention kit equipped with biodegradable absorbent material, ecological absorbent dams, absorbent cloths, etc., is used in order to restore the environmental conditions prior to the spills.

In order to prevent pollution of environmental factors, Rețele Electrice performs periodic maintenance of oil/water separators, drainable basins and rainwater collection and drainage channels. These activities are carried out by an authorized operator based on a service contract. The collection of waste oil is carried out by the authorized operator in accordance with the applicable legal provisions on environmental protection. In the case of waste transport, a mobile intervention kit is provided containing the necessary materials to intervene in case of incidents.

In 2023, there were no situations of accidental pollution or environmental incidents leading to the deterioration of water, air or soil quality in the areas managed by the Rețele Electrice.

Certifications

Environmental protection activities are documented through operational procedures that are implemented within the environmental management system in accordance with the of SR EN ISO 14001:2015. conditions.

Employee training on environmental protection

In 2023, training sessions on environmental and energy management topics were organized for both internal staff and external contractors. The training of internal staff aims to raise awareness of their role in fulfilling the organization's commitments and how their work can influence compliance. The training of contractors focuses on environmental protection and energy management, with the objective of ensuring that the work carried out under the control of the organization does not negatively affect environmental and energy performance.

Company	Environmental training (no.) Own staff and contractors staff	Energy training (no.) Own staff and contractors staff
Rețele Electrice Banat	15	8
Rețele Electrice Dobrogea	20	8
Rețele Electrice Muntenia	14	8

9.1 Managing energy consumption

The total energy used at organizational level (administrative offices , energy assets, transportation consumption, heating and internal services) was 1,655,999 MWh in 2023 (1,788,414 MWh in 2022), divided as follows:

- Rețele Electrice Banat: **516,977 MWh**
- Rețele Electrice Dobrogea: **465,192 MWh**
- Rețele Electrice Muntenia: **673,828 MWh**

Various consumables that can have an impact on the environment are used in the electricity distribution business, such as diesel, hydraulic oils, turbine and compressor oils, among others. Rețele Electrice companies constantly monitor the consumption of these materials to ensure that they are used efficiently and responsibly.

Indicator (tons)	REB	RED	REM	REB	RED	REM	REB	RED	REM
	2021			2022			2023		
Total diesel consumption (vehicles + Aux. equipment)	580.14	514.13	545.2	582.9	511.9	544.9	616.7	535.5	534.2
Diesel consumption (Aux. equipment)	7.97	8.72	16.94	7.4	6.4	32.5	19.02	19.21	14.36
Consumables (dielectric oils, lubricants)	7.2	20.3	0.1	3.6	12.4	1.2	4.608	11.09	0.63

The distribution companies have implemented several actions to reduce energy consumption, increase energy efficiency and prevent or reduce environmental impact, such as:

- Implementation of smart metering systems;
- Replacement of traditional meters;
- Replacement of MV/LV transformers with low-loss transformers;
- Installation of power factor correction systems (CPT) from solar renewable energy sources;
- Upgrades to low and medium voltage power distribution systems (LV, MV underground power lines).

By continuing maintenance and modernization work on primary and secondary, equipment and power transformer replacements, primary substations reorganization and modernization, as well as installing and using smart meters, we have managed to achieve significant energy savings of approximately 49,142 GJ in 2023.

These measures have contributed to the efficiency of the system and the reduction of energy consumption in the operational processes.

At the level of each company, in 2023 and in previous reporting periods, the companies reduced energy consumption as follows:

Company	2021	2022	2023
Rețele Electrice Banat	27,096 GJ	23,248 GJ	14,411 GJ
Rețele Electrice Dobrogea	22,147 GJ	23,090 GJ	13,832 GJ
Rețele Electrice Muntenia	30,552 GJ	28,419 GJ	20,898 GJ
Total	**79,795 GJ**	**74,757 GJ**	**49,142 GJ**

Implementation status of the Energy Performance Improvement Action Plan for 2023

Rețele Electrice Dobrogea	Investment [RON]	Energy saving [MWh]	Financial saving [RON]
Implementation of smart metering systems	16,500,448.61	3,359.68	2,435,770.22
Replacement of MV/LV transformers with low-loss transformers	4,090,644.95	482.71	349,962.21

Rețele Electrice Muntenia	Investment [RON]	Energy saving [MWh]	Financial saving [RON]
Project for the implementation of an intelligent metering system in installations	23,553,681.17	5,313.57	3,852,339,.4
Modernization of high, medium and low voltage grids and equipment in stations and transformer substations - results of breakdowns	4,046,648.67	491.56	356,383.54

Rețele Electrice Banat	Investment [RON]	Energy saving [MWh]	Financial saving [RON]
Implementation of smart metering systems	17,322,697.30	3,755.13	2,722,471.30
Replacement of MV/LV transformers with low-loss transformers	1,584,581.62	248.00	179,800.00

The energy intensity ratio of the companies indicates the efficiency of energy use in operational processes. The values reflect energy consumption in relation to the turnover indicator for 2023, providing a clear picture of energy performance and progress in reducing energy consumption.

	Unit	RE (consolidated level)	RE Banat	RE Dobrogea	RE Muntenia
Energy intensity rate	TJ/Mil. EUR	11.21	13.09	12.32	9.56
Energy consumption	TJ	6,624	2,067.91	1,860.77	2,695.32
Turnover in 2023	EUR Million	591	158	151	282

Certificări

Activitățile privind îmbunătățirea eficienței energetice la nivelul companiilor sunt documentate prin proceduri operaționale care sunt implementate și menținute în cadrul sistemului de management al energiei conform condițiilor din SR EN ISO 50001:2018.

9.2 Carbon footprint

Environmental pollution is one of the biggest global challenges, caused in large part by greenhouse gas emissions, known as the carbon footprint. The impact of human actions is becoming increasingly obvious, manifesting itself in rising sea levels, extreme weather events and record temperatures, indicating a potential global humanitarian crisis.

To maintain a clean and healthy environment, it is essential for every individual and company to reduce their carbon footprint. Neutralizing it is an effective method, aligned with the goals of the Paris Agreement, which aims to limit the global temperature increase to 1.5 °C.

PPC actively contributes to the fight against climate change and the transition to zero emissions and updates its decarbonization plan according to the Science-Based Targets initiative, setting new climate targets aligned with the IPCC scenarios.

Following the same ambitious goals, Rețele Electrice companies aim to accelerate the use of renewable energy and energy efficiency by reviewing investment plans and the business model, along with circularity aspects. The sustainability strategy aims to reduce the impact on the environment, and neutralizing the carbon footprint is essential for the sustainable development of distribution companies.

Rețele Electrice companies have calculated direct and indirect emissions according to Scope 1 and Scope 2 in accordance with the Greenhouse Gas (GHG) Protocol, which provides a standardized framework for companies and countries to measure, report and reduce their greenhouse gas emissions.

Direct emissions - Scope 1

Scope 1, according to the Greenhouse Gas Protocol, includes all direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the company: emissions from stationary combustion processes (e.g. combustion of fuels in stationary equipment), emissions from mobile combustion processes (e.g. vehicles and mobile equipment owned or controlled by the company), process emissions and fugitive emissions (e.g. uncontrolled gas emissions, such as refrigerant gas leaks).

One of the strategic commitments of Rețele Electrice is to transform the entire car fleet by replacing fossil fuel vehicles with electric vehicles, a process that has already begun, and in the coming years this program will continue to reduce the carbon footprint.

For 2023, the carbon footprint for the consumption of the entire car fleet managed by the Rețele Electrice companies was calculated, the value of greenhouse gas emissions from this source being 5,444.08 tCO_2e, divided as follows:

	U.M. tCO_2e
Rețele Electrice Banat	1,982.04
Rețele Electrice Dobrogea	1,739.36
Rețele Electrice Muntenia	1,722.67
Total	**5,444.08**

In terms of energy consumption at the level of buildings, Rețele Electrice aims to implement energy efficiency and digitalization solutions in order to comply with energy performance norms and the requirements of the European Green Deal, in order to decarbonize the building stock.

For 2023, the carbon footprint was calculated, which includes fugitive emissions, the consumption of auxiliary equipment, as well as the consumption of the heating and cooling system of buildings owned or used by Rețele Electrice, totaling **1,467.37 tCO_2e**.

Source	Description	RE Banat (tCO_2e)	RE Dobrogea (tCO_2e)	RE Muntenia (tCO_2e)	Total
SF_6	SF_6 emissions	11.75	204.45	420.65	**636.85**
Refrigerants	Refrigerant emissions	68.34	39.24	5.25	**112.83**
Auxiliary equipment	Diesel emissions from generators	60.25	60.85	45.48	**166.58**
	Gasoline emissions chain-saws, lawn mowers, etc.	18.20	4.00	9.44	**31.64**
Heating	Natural gas emissions	218.97	165.28	135.22	**519.47**

For 2023, the total direct emissions for distribution companies was **6,911.45 tCO_2e**:

- Rețele Electrice Banat: **2,359.56 tCO_2e**;
- Rețele Electrice Dobrogea: **2,213.17 tCO_2e**;
- Rețele Electrice Muntenia: **2,338.72 tCO_2e**.

Direct greenhouse gas emissions intensity ratio (Scope 1):

	U.M.	RE Muntenia	RE Banat	RE Dobrogea	RE (consolidated level)
Direct GHG emissions intensity	t CO_2e /Mil. EUR	8.3	14.9	14.7	11.7
Direct emissions (Scope 1)	t CO_2e	2,338.72	2,359.56	2,213.17	6,911.45
Turnover in 2023	EUR Million	282	158	151	591

Indirect emissions - Scope 2

Scope 2, according to the Greenhouse Gas Protocol, includes all indirect greenhouse gas (GHG) emissions from the company's purchased energy consumption: emissions from purchased electricity and emissions from purchased thermal energy.

For Scope 2 indirect emissions, two reporting methods were used. The first method is location-based, which calculates emissions using average emission factors for the power grid in the region where the energy is consumed (national emission factors according to ANRE). This reflects the electricity generation mix in that grid. The second method is market-based, which calculates emissions using specific emission factors for purchased energy contracts, which reflects the company's choices regarding the purchase of electricity.

Sources of origin for Scope 2 emissions include electricity and heat purchased for energy consumption used in administrative offices, internal services and own technological consumption (CPT).

The energy necessary for their own technological consumption is purchased by the distribution companies mainly through the Centralized Electricity Purchase Mechanism (MACEE) managed by OPCOM (Romanian Electricity and Natural Gas Market Operator). Therefore, only the emission factor can be used at national level according to the ANRE Report, resulting in equal values in terms of emissions calculated with the two methods.

Source	RE Banat (tCO_2e)	RE Dobrogea (tCO_2e)	RE Muntenia (tCO_2e)	Total
Technical CPT – location based	76,763.62	78,129.91	132,403.55	287,297.08
Technical CPT – market based	76,763.62	78,129.91	132,403.55	287,297.08
Electricity (internal services) – location based	1,970.02	846.35	1,815.40	4,631.77
Electricity (internal services) – market based	696.59	225.12	581.59	1,503.31
Electricity (admin offices) – location based	1,345.21	1,480.01	473.48	3,298.70
Electricity (admin offices) – market based	446.09	185.84	119.87	751.80
Purchased thermal energy	370.55	72.69	20.39	463.63
Total electricity – location based	**80,078.84**	**80,456.27**	**134,692.43**	**295,227.54**
Total electricity – market based	**77,906.30**	**78,540.87**	**133,105.01**	**289,552.18**
TOTAL (rental based)	**80,449.39**	**80,528.96**	**134,712.82**	**295,691.17**
TOTAL (market based)	**78,276.85**	**78,613.56**	**133,125.40**	**290,015.82**

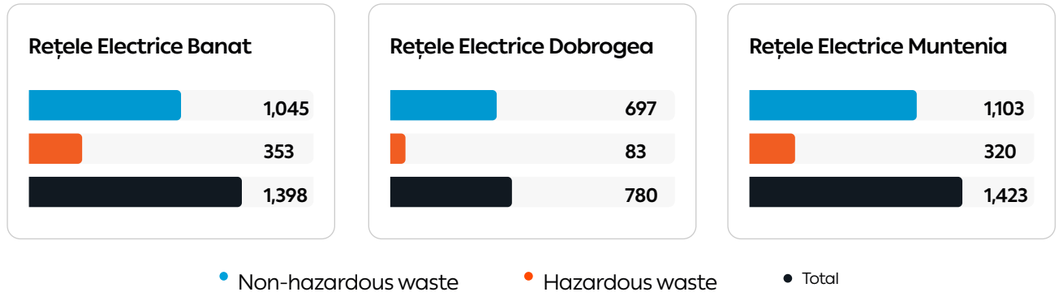
Indirect greenhouse gas emissions intensity ratio (Scope 2):

	M.U.	RE (consolidated level)	RE Banat	RE Dobrogea	RE Muntenia
Indirect emissions intensity (location based)	t CO_2e / Mil. EUR	500	509	533	478
Total indirect GHG emissions (location based)	t CO_2e	295,691	80,449	80,529	134,713
Indirect GHG emissions intensity (market based)	t CO_2e / Mil. EUR	591	495	521	472
Total indirect GHG emissions (market based)	t CO_2e	491	78,277	78,613	133,125
Turnover in 2023	EUR Million	591	158	151	282

9.3 Waste management

Rețele Electrice companies are concerned with the responsible management of the waste generated within the electricity distribution activity. They comply with environmental protection legislation and have implemented a certified integrated waste management system. All categories of waste generated are detailed in the Waste Management Plan. Based on this plan, they have developed a Program of Measures for the Prevention and Reduction of Waste Generation. This program includes a series of measures aimed at preventing and reducing the amount of waste generated, thus contributing to the protection of the environment.

Quantity of generated waste (tons)



Non-hazardous waste

Waste Type / Tons	RE Muntenia		RE Banat		RE Dobrogea	
	2022	2023	2022	2023	2022	2023
Copper	0.04	0	0.27	0.29	0.32	0.12
Aluminium	4.01	3.47	20.32	12.67	16.39	1.53
Iron, steel	77.93	54.60	36.86	85.61	17.33	43.01
Metal mixtures	38.52	21.79	73.04	41.66	68.58	30.99
Cables	34.43	37.26	25.33	47.99	30.39	26.31
WEEE	137.22	108.26	0	112.66	66.86	52.47
Wood	26.83	12.36	34.16	42.99	16.76	19.30
Concrete poles	913	1720	997	1661	757.42	924.47
Mixtures of concrete, bricks, tiles and ceramic materials, glass	25.16	67.29	101.64	27.36	86.4	78
Plastics materials	0.51	2.32	0.53	11.53	1	0.14
Tyre	0.07	2.63	0.08	0	1.26	5.36
Textile	0.19	0.39	0	1	2	0.78

Hazardous waste

Waste Type / Tons	RE Muntenia		RE Banat		RE Dobrogea	
	2022	2023	2022	2023	2022	2023
Disposal of equipment with hazardous components	705.33	310.82	689.44	292.93	209.58	62.26
Lead-acid batteries	10.36	10.15	6.22	3.50	12.83	11.83
Used oil	28.14	0	14.69	55.16	42.27	4.78
Oily waters and sludge	62.85	0	1.1	1.58	3	4.39

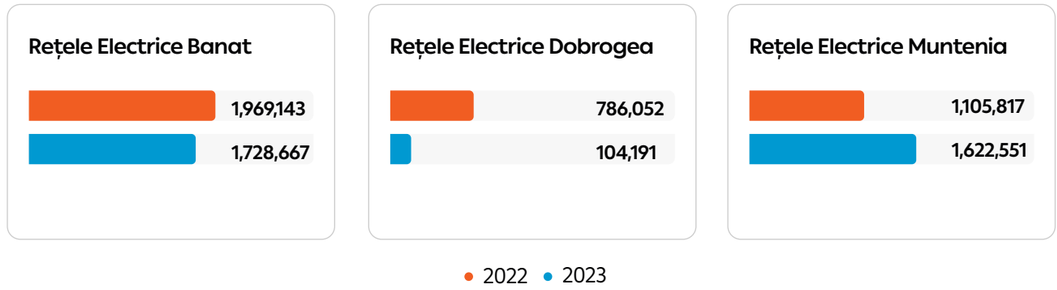
In 2023, about 98% of hazardous waste was recovered. Hazardous waste, such as the insulating oil used in transformers, undergoes periodic chemical analysis to determine the PCB (polychlorinated biphenyls) content, the concentration of which is regulated by law.Analyses conducted on hazardous waste generated by distribution companies have shown that they comply within the maximum allowable values of PCB content as per legal requirements. In addition, used oils are collected by authorized companies for regeneration and waste treatment, allowing them to be transformed into energy through waste-to-energy valorisation processes, in cases where regeneration is not possible. Batteries are also sent to authorized companies, which can recover secondary raw materials.

59.9 tons of used oil were recovered through recycling by the authorized operator in 2023.

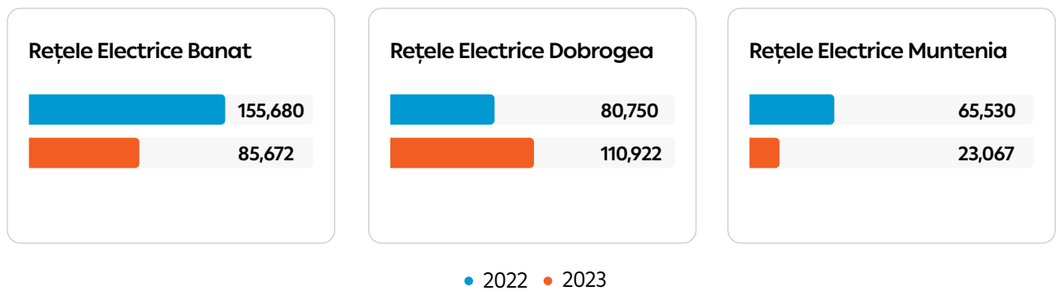
	Hazardous waste produced (t)		Hazardous waste recycled or recovered (t)	
	2022	2023	2022	2023
Rețele Electrice Banat	711.5	353.1	711.4	351.5
Rețele Electrice Dobrogea	270.5	83.2	264.7	78.8
Rețele Electrice Muntenia	806.8	320.9	743.8	320.9

Expenditure on environmental protection
The expenses dedicated to the environment for the three distribution companies focused on both internal and external trainings on environmental protection, audit sessions, but also on investments directly related to the prevention of soil, subsoil and groundwater pollution (construction of retention tanks for trafo points), the removal of noise pollution and the protection of biodiversity. These investments underscore the companies' commitment to environmental protection, demonstrating their ongoing efforts to improve infrastructure and bring operations into compliance with environmental standards.

Environmental protection expenses (RON)



Waste management expenses (RON)



Waste management in figures

	Non-hazardous waste expenditure (RON)		Hazardous waste expenditure (RON)		COVID-19 waste[6] management expenditure (RON)	Revenues from the sale of waste (RON)	
	2022	2023	2022	2023	2022	2022	2023
RE Banat	61,690	50,242	51,170	35,520	42,820	1,282	930,920
RE Dobrogea	41,980	51,342	36,240	59,580	2,530	376	614,670
RE Muntenia	13,050	20,767	51,370	2,300	1,110	1,655	395,910

For the management of waste originating from lightning sources, small-sized WEEE (Waste Electrical and Electronic Equipment) and alkaline batteries, the companies have concluded a free Collaboration Protocol with the Recolamp Association and the Ecotic Association, which facilitates the collection of these categories of waste. To ensure the efficient implementation of the protocol, Green Corner containers and stands were installed for the collection of this waste at the companies' headquarters. Waste from electric meters, which are included in the WEEE category, is shredded before being shipped for recycling.

Rețele Electrice companies support the development of a business model that integrates the principles of the circular economy and want to contribute to reducing the impact on the environment and the efficient use of resources, implementing measures that aim to prevent and reduce the amount of waste generated, as well as to increase the amount of waste recovered in relation to the amount generated.

All waste generated by distribution companies, regardless of its type, is managed in accordance with the legislation in force. They are either recovered or disposed of through authorized economic operators, who carry out waste collection, transport, treatment and recovery/disposal activities. These operators hold environmental permits issued by the Environmental Protection Agencies and are subject to periodic checks. The award of contracts is carried out through tenders, in which the bidding companies are selected based on transparent and non-discriminatory criteria. Thus, it ensures responsible and legal management of waste generated by distribution companies.

The entire waste management process is subject to close monitoring. Internally, companies collect and centralize data related to waste management, and externally, they comply with legal provisions and periodically report to the Environmental Protection Agencies or the Ministry of Economy, according to legal requirements. This ensures transparency and compliance with regulations regarding waste management.

6 In 2023, there were no more management expenses related to Covid-19 waste, due to the lifting of restrictions and regulations imposed during the pandemic, as a result of the success of vaccination campaigns and the significant decrease in the number of reported cases. With the increase in herd immunity and the decrease in the risk of transmission of the virus, the need for strict medical waste management measures, such as personal protective equipment and sanitary materials used to prevent the spread of Covid-19, has been considerably reduced. This has led to a decrease in the costs associated with the collection, transport and disposal of this specific waste, reflecting the adaptation of distribution companies to the new public health conditions.

9.4 Circular economy

The European Green Deal and the Circular Economy Action Plan have set more ambitious targets for Europe in the transition to a circular economy. This economic model, adopted at all levels and in various regions, creates synergy between innovation, digitalization, competitiveness and sustainable development, responding to current environmental and social challenges.

The circular economy involves reducing the use of finite natural resources, avoiding waste and maintaining the value of goods through design, repair and recycling. It benefits the environment by reducing carbon emissions and values human labor. PPC Group recognizes the importance and challenges of the transition to a circular economy and aims to transform the linear model into a circular one. By preventing, reusing, recycling and recovering waste, PPC aims to extend the life cycle of products, adding economic, social and environmental value.

Rețele Electrice companies integrate the circular economy into their sustainable development strategies, promoting the efficient use of resources and reducing environmental impact. Digitalization facilitates this transition through circular asset management and digital solutions that support circular business models.

Sustainable materials management:
Rețele Electrice companies continued in 2023 to prioritize the recovery of materials from end-of-life assets. The materials extracted from the distribution infrastructure are reintroduced into new production cycles through recovery and recycling. The companies are actively involved in waste management to minimize environmental impact, promoting the reuse and regeneration of materials at the end of their life cycle. This approach is part of the sustainability strategy, supporting the transition to a circular economy. In this regard, the tracking system for decommissioned assets is improved for a more efficient and circular management.

In 2023, 4,600 tons (2022: 5,200 tons) of waste equipment resulting from the modernization and maintenance works of the electricity network, including transformers/other equipment (653 tons), metal and non-metal components (407 tons), meters (229 tons), industrial batteries and accumulators (25 tons), used oil (60 tons), as well as insulators (174 tons), were sent to authorized operators for recovery. The waste from the concrete poles (3,048 tons) was sent to the authorized operators at the crushing plant for the recovery of the material and its reuse in the construction industry. Approximatively 98% (2022: 98%) of these recycled volumes returned to the economy in the form of ferrous, non-ferrous metals, plastic, wood or glass, generating revenues of around **EUR 450,000**.

Energy efficiency towards sustainable electrification: The photovoltaic plants already installedin the three transformer stations, with an installed power of 85.9 kW each and providing over 50% of the consumption needs of the three transformer stations in Banat (Oțelu Roșu, Caraș-Severin county), Dobrogea (Palas Sud, Constanta county) and Muntenia (Otopeni, Ilfov county), continue to support the increase of energy efficiency and the contribution to the reduction of CO2 emissions. In this sense, the plants generated 267 MWh of total electricity, saving costs of almost **EUR 90,000** in 2023.

Extending the useful life of equipment and components in installations: Another circularity initiative of the distribution companies is the development and management of an integrated database to give equipment and components a second life. This database tracks all the equipment and components taken out of use, but are still functional, from the installations of the 3 regions of the Rețele Electrice, to be able to reuse them. If needed, distribution companies can check the database for the availability of equipment needed for reuse and relocation, thus optimizing costs by reducing the purchase of new equipment and extending the lifespan of existing ones.

In 2023, 169 components from the three distribution companies were added, with a total weight of approximately 364 tons.

In 2023, six pieces of equipment (three voltage transformers and three current transformers) were reused by Rețele Electrice IT Dobrogea in the Fundulea 110/20kV substation. This equipment was taken from the Muntenia IT Reserves Platform.

Predictive maintenance solutions for network resilience: Projects for the digitization of the MV distribution network have been initiated and implemented, to facilitate the identification of optimal solutions from a technical-economic point of view in the network development process, and to streamline the process of planning interventions in operation and maintenance activities.

9.5 Biodiversity

The distribution companies are the promoters of a sustainable business model whose purpose, beyond financial performance, is to bring value to the community they are part of. Thus, they have committed to achieve the 2030 Agenda for Sustainable Development Goals, including protecting and respecting biodiversity in the companies' activity, in line with Sustainable Development Goal 15 "Life on Earth".

The involvement is active, constant, encompassing several environmental initiatives, such as efficient waste management and recycling or the protection of birds on the Red List of the International Union for Conservation of Nature (IUCN), which includes the White Stork, the Saker Falcon, the Curly Pelican (Dalmatian Pelican) and the European Roller. The companies also contribute to the conservation of natural habitats in the Danube Delta Biosphere Reserve, one of the UNESCO protected areas located in Romania.

One of the Rețele Electrice companies' biodiversity protection programs is dedicated to the conservation of the white stork, which often uses electricity grid poles as a nest support, electrocution being one of the main threats faced by this species. The white stork is a protected species, and the first step to help this species is to identify the exact number of pairs that have nests and their chicks. In this regard, in partnership with the Romanian Ornithological Society (SOR), the companies have developed a mobile application since 2017, "Look, a Stork", which collects data on the nesting of the white stork in Romania, through the involvement of both the Rețele Electrice specialists in the field and the general public.

The annual population census of storks is a unique "citizen science" project that is carried out at national level with the help of all those who want to contribute to the species' protection. The program aims to identify areas with a high potential for danger through electric shock, so that Rețele Electrice companies can take measures to protect the birds, but also electrical grids, by installing nest supports or power line insulators.

In addition to the active participation in the stork census, the employees also make an analysis of the situation of the low voltage poles in several localities in the counties of Caraș-Severin, Arad, Timiș, Hunedoara, Tulcea, Constanța, Ialomita, Călărași, Ilfov and Giurgiu.

The total number of downloads of the app for the year 2023 was 2,091. Since the beginning of the program, innovative elements have been introduced annually, such as:

- The White Stork Storytelling Contest in 2021;
- installation of video cameras that will stream live from selected stork nests in different regions of the country;
- periodic communication of the "event" in the nests with images and scientific details regarding the evaluation of the trophic resource, the development of the chicks;
- identifying a student or master's candidate to analyze the nesting recordings and prepare their thesis based on them.

Within the LIFE19 NAT/SK/001023 Danube Free Sky program, which envisages the transnational conservation of birds along the Danube River, Rețele Electrice Dobrogea (with the direct help of the Danube Delta Biosphere Reserve Administration (ARBDD)), implements various solutions at the level of aerial power lines, to protect wild bird species.

In 2022, Rețele Electrice Dobrogea collaborated with Danube Delta Biosphere Reserve Administration (ARBDD) to identify and agree on the medium and high voltage power lines considered the most dangerous, on which collision and electric shock protection works will be carried out. As part of the program, electro-insulating sheaths will be installed on 100 medium voltage poles and approximately 3,000 bird diverters will be installed on a length of approximately 35 km of medium and high voltage aerial power lines.

In 2023, the tender procedure was conducted, and a contract was signed with an authorized contractor for the execution of anti-collision and anti-electrocution works.

Technical specifications were developed and approved for protective devices aimed at reducing the risks of bird collision and electrocution with overhead power lines:

- GSCC031 - Protective devices to prevent the risk of bird collision with power lines and other bird protective devices;
- GSCC030 - Protective devices to prevent the risk of bird electrocution.

The aim was to obtain Certificates of Conformity and Test Reports for all types of devices that will be used in this project.

The first Order to start the execution of the works was given and the field project is expected to be complete in 2024.

In partnership with Danube Delta Biosphere Reserve Administration (ARBDD), several ongoing programs have been analyzed, with technical projects submitted for approval by the Technical and Economic Committee (CTE). These include:

- installation of 70 artificial nests for the Saker Falcon on high-voltage poles;
- installation of 85 artificial nests for European Roller on medium voltage poles (activities within the "Danube Free Sky" program), a project that received CTE approval in 2023.

In collaboration with the Romanian Ornithological Society (SOR), two programs funded by the European Union have been initiated for the protection of the Pelican and the Saker Falcon. For these projects, several working meetings were organized to analyze high-risk areas for bird collisions and electrocutions, leading to the selection of the most dangerous power lines for interventions, which are planned to be completed in 2024 and 2025:

- LIFE18 NAT/NL000716 Pelican Way of Life, aiming to prevent collision accidents and involves the installation of diverters on a length of 4 km of medium voltage lines;
- LIFE20 NAT/BG/001162 Securing the recovery of the Endangered Saker Falcon in Bulgaria & Southern Romania, focusing on preventing accidents due to electric shock and involves the installation of electro-insulating sheaths on 300 medium voltage poles.

Within the collaboration protocol signed between the Association for Falconry and the Protection of Birds of Prey (PEREGRINUS) and Rețele Electrice Banat, three high-voltage poles were identified in the Deva area, where nesting boxes for rare bird species will be installed.

Rețele Electrice Banat in partnership with the Association for the Protection of Birds and Nature Milvus Group prepared the PROSAKER Project: "Safeguarding the core population of Saker falcon in Romania", with which it applied for European funds in the September 2023 session.

The monitoring of bird activity in their nests, facilitated by an online video camera mounted on a high-voltage pole and previously managed by Rețele Electrice Banat in collaboration with the Wild Watch Association, will continue with the installation of a new energy supply system for the cameras.

In previous years, similar programs carried out by Rețele Electrice Banat in partnership with the Milvus non-governmental organization focused on the protection

of Dumbrăvenca and consisted of the isolation of 800 medium voltage poles, the protection of the Saker Falcon by installing 34 artificial nests on the high voltage poles, thus providing nesting places; ringing of some young Saker Falcons and equipping one with a high-performance GPS device in order to monitor the migration routes, feeding andresting areas of these protected birds.

Moreover, Rețele Electrice Dobrogea, in partnership with the Romanian Ornithological Society (SOR), carried out actions to ring white stork chicks (Ciconia Ciconia). At the same time, in collaboration with ARBDD within the DANUBEparksCONNECTED program, they contributed to the inventory of the aerial power lines of the Rețele Electrice Dobrogea in the Danube Delta Biosphere Reserve, through pilot activities of marking the main power lines crossing the Danube.

In recent years, similar solutions have been implemented to protect the environment and wild bird species from electrocution and collision with power lines. Measures adopted include:

- replacing traditional non-insulated conductors with twisted insulated conductors;
- installing electro-insulating sheaths on medium voltage lines;
- installing special brackets (nests) on low and high voltage lines for bird protection;
- adopting canopies for bird-friendly medium voltage poles;
- replacing aerial power lines (LEAs) with underground power lines (LES).

Over the years, by the end of 2023, the Rețele Electrice companies installed **948 metal supports for stork nests** and insulated over **6,253 poles by installing electro-insulating sheaths** in the Banat, Dobrogea and Muntenia regions.

In 2023, more than **EUR 23,700** was invested in such endeavors.

9.6 Climate risk assessment

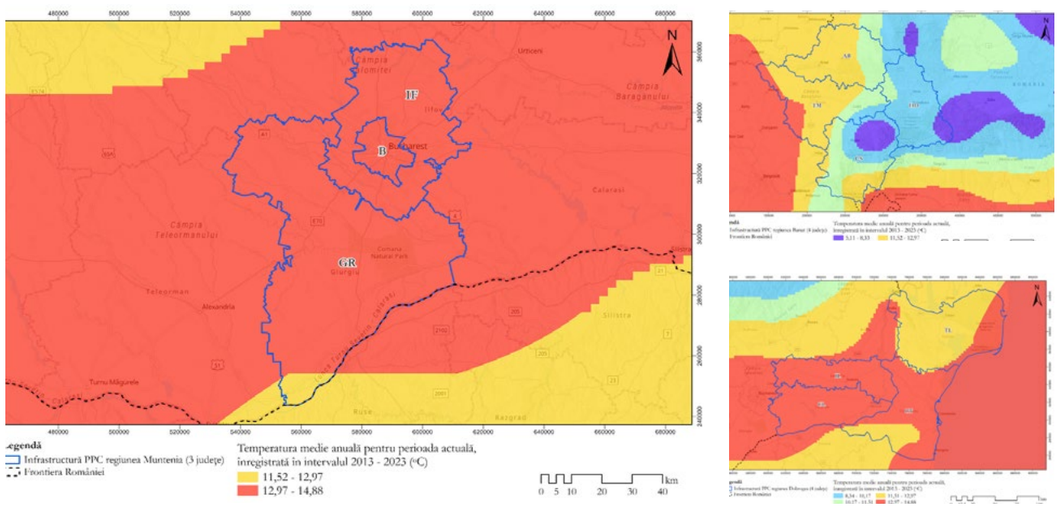
Climate change (increasing temperatures, changes in precipitation, decreasing snow and ice thickness) is occurring globally and in Europe, with some observed changes setting records in recent years.

The observed climate change has already led to a wide range of effects on environmental systems and society, with significant impacts expected in the future. Climate change can increase existing vulnerabilities and deepen socio-economic imbalances in Europe.

Mitigation and adaptation measures for climate change are necessary in many sectors, as they can help reduce the damages caused by natural disasters and other climate change impacts.

The impact of climate change on the electricity distribution infrastructure has been assessed through an extensive study in the regions of operation of the Rețele Electric Companies.

The study focused on assessing the sensitivity, exposure, vulnerability, risk and impact of these changes, with the objective of identifying mitigation and adaptation measures for climate change.



Applied methodology

The analysis included a combination of GIS assessments, climate analyses and literature studies. The methodology focused on:

- Assessment of the sensitivity of the infrastructure to key climatic variables (e.g., temperatures, precipitation, humidity, wind speed);
- Climate projections based on CMIP6 and RCP 4.5 models for the periods 2013-2023 and 2030-2050.
- Vulnerability and exposure analysis through the identification and assessment of high-risk areas.

The study focused on the period 2030–2050, based on the legislative provisions of the European Union, namely the European Green Deal regulated by EU Regulation 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) no. 401/2009 and (EU) 2018/1999 ("European Climate Law"). The objectives of the European Green Deal are to reduce greenhouse gas emissions by 55% by 2030 and to achieve climate neutrality by 2050.

In this regard, the impact of climate change was analyzed in the context of the **RCP 4.5 scenario** (according to the IPCCC), which captures the current approach to economic, social and environmental issues that would continue similarly in the future, until 2050. Considered the most plausible climate scenario by scientists in this field, the RCP 4.5 scenario best reflects the current global climate and political context, as well as the associated transition assumptions, presuming that the level of greenhouse gases will not change but will continue in the same manner.

Climate Change Mitigation and Adaptation

The study was structured around two main pillars: climate change mitigation and climate change adaptation. As part of the mitigation analysis, the company's carbon footprint was assessed, concluding that direct emissions are insignificant and compatible with the EU's 2030 and 2050 emission reduction targets.

For climate change adaptation, critical infrastructure components were analysed: physical assets (transformer points and LEA networks), high-voltage substations, outputs (LES and connection points) and transmission networks (access roads). This analysis included assessing the sensitivity, exposure, and vulnerability of these components to climate variables such as temperature variability, heat waves, extreme precipitation, and storms.

Identified Climate risks

The climate risk assessment was carried out based on vulnerability analysis, identifying the associated risks. Of the 29 climate variables analyzed (according to Annex A: Generic criteria for DNSH for adaptation to climate change of the EU Taxonomy Regulation), 15 were selected as relevant for companies' activity and geographical positioning. These include **heat waves, heat stress, tornadoes, floods, landslides and wildfires, among others**.

According to the vulnerability analysis for the three distribution companies, the climate variables that could generate high vulnerability in future conditions are heat waves, tornadoes and floods. The climatic variables classified in the medium vulnerability category are: average temperatures, heat stress, extreme maximum rainfall and vegetation fires. In addition, for the Dobrogea and Banat area, landslides could generate a high vulnerability.

Adaptation measures

For the identified risks a series of adaptation measures were proposed and latter evaluated in terms of efficiency (residual risk). However, it should be noted that a significant part of the adaptation measures analyzed in the study are already implemented in companies' activities, indicating an adaptation to current and future climate risks in the short and medium term (until 2050).

Category	Risk	Risk score	Adaptation measures	Details of the measure	Residual risk
Variability of average temperatures	‣ Thermal overload of the components of the distribution network. ‣ Overloading the electricity distribution system by increasing the consumption of energy used for cooling for both household and economic consumers	High	Carrying out internal procedures and regular training of operating employees on operating equipment in high temperature conditions	There are internal procedures and regular training for equipment operations under extreme temperature conditions.	Low
			Use of materials that can withstand higher temperatures.	The technical specifications indicate (wider) temperature ranges in which they must function properly.	
			Use of more efficient cooling systems for transformers and substations.	There are efficient cooling systems for transformers and substations in the control room and protections ensure a constant temperature and humidity.	
Heat stress	‣ Current unfavorable working conditions for employees in the summer months.	High	Develop operational procedures for carrying out the activities of the staff outdoors, during periods of high temperatures.	Additional measures are stipulated (provision of mineral water, reduced working hours) including in the Collective Labor Agreement.	Low
			Providing efficient work equipment for protection against high external temperatures.	Work and protective equipment also suitable for working conditions at extreme temperatures (high/low).	
			Equipping indoor workspaces with efficient air conditioning systems.	The indoor workspaces are equipped with efficient air conditioning systems.	

Category	Risk	Risk score	Adaptation measures	Details of the measure	Residual risk
Heat waves	‣ Expansion of high, medium and low voltage cables and the occurrence of the risk of electric arc. ‣ Overloading the electricity distribution system by increasing the energy consumption used for cooling for both household and economic consumers.	High	Implementation of smart grid technologies for real-time monitoring and management of the energy grid. Adopting a predictive analytics (Machine Learning) system to forecast disruptions caused by weather conditions and optimize response strategies.	The emergency management process is also managed with the help of STGeo Global - the Weather Alerting information system. The system maps weather alerts (rain, storms, heat, snow, frost) for each territorial unit in which we carry out our activity, using a Hazard Impact model composed of 3 elements: hazard, vulnerability, exposure. The system calculates the severity level of the risk and issues an appropriate alert. The WA app sends weather reports daily at 8:00 a.m. (for the next 3 days, for each region) and whenever the risk level set in the app by each user is exceeded. In addition, it can be viewed in the application on each area, for at least 24 hours, what are the types of risk that may occur and which electrical installations (stations, lines, PT, number of consumers) may be affected	Low
			Training of operating employees	Carrying out training procedures to ensure preparedness in case of extreme weather events.	

Category	Risk	Risk score	Adaptation measures	Details of the measure	Residual risk
		High	Elevation of the LEA pillars.	Elevation LEA columns in case of significant change in conductor geometry (exceeding the maximum arrow).	Low
			Installation of conductors with higher operating temperature limits.	Ensuring the resilience of the electricity grid by installing high-capacity conductors in case of extreme temperatures.	
Extreme rainfall	‣ Damage to the electricity distribution infrastructure (high voltage poles, cables, transformer stations and substations, access roads)	High	Adaptation of the rainwater collection systems corresponding to the locations of the power stations.	The collection of meteoric or rainwater is done in accordance with existing contracts with specialized operators.	Low
			Rainwater collection from areas where there is a risk of water accumulation (low-lying areas on station sites) where there is vulnerable equipment.	At the concrete platforms on which waste or oil-filled equipment is stored, there are hydrocarbon separators.	
Tornadoes	‣ Damage to the electricity distribution infrastructure (high voltage poles, cables, transformer stations and substations, access roads). ‣ Blocking access roads by felling trees.	Medium	Strengthening structures to withstand strong winds and storms. Materials and designs that are more resistant to extreme weather conditions should be used.	Geographical conditions, including meteorological conditions, are considered from the design phase, and materials resistant to extreme weather conditions are used.	Low
			Immediate intervention.	Immediate intervention by removing objects blocking access roads.	
			Developing intervention plans for emergency situations.	There are intervention plans for emergency situations.	

Category	Risk	Risk score	Adaptation measures	Details of the measure	Residual risk
	‣ Stopping the distribution of electricity to household and economic customers, as a result of system failures, until repairs are carried out. ‣ Atmospheric electrical discharges can cause damage to high, medium and low voltage poles.	Medium	Passage of overhead power lines from exposed areas into underground power lines.	In situations where a high risk of tornadoes is validated, the overhead power lines in the exposed areas will pass into underground lines.	Low
Flood	‣ Damage to the electricity distribution infrastructure (high voltage poles, cables, transformer stations and substations, access roads).	High	Implementation of emergency intervention plans for the locations of transformer substations and electrical substations exposed to this risk.	There are intervention plans for emergency situations.	Low
			Collaboration with Basin Administrations.	Collaboration with Basin Administrations in order to draw up plans for the implementation of flood monitoring and control systems.	
			Provision of flood defense systems (dams).	Provision of flood defense systems (dams) at vulnerable objectives (transformer substations and electrical substations).	
Landslides	‣ Damage to the electricity distribution infrastructure (high voltage poles, cables, transformer stations and substations, access roads).	High	Implementation of emergency intervention plans for the locations of transformer substations and electrical substations exposed to this risk.	There are Emergency Response Plans.	Low

Category	Risk	Risk score	Adaptation measures	Details of the measure	Residual risk
		High	Relocation of installations if the occurrence of the risk is validated.	Relocation of installations affected by landslides.	Low
Wildfires	‣ Damage to the electricity distribution infrastructure (high voltage poles, cables, substations and transformer stations, access roads). ‣ Degradation of distribution poles, conductors, stations and transformer substations.	High	Regular maintenance of electricity distribution equipment.	Maintenance is ensured in accordance with approved annual MAP.	Low
			Developing intervention plans for emergency situations.	According to the procedures in force, intervention plans for emergency situations are available.	
			Removing dry herbaceous vegetation and trees that have a high predisposition to fire, cosmeticizing trees by removing branches that touch electrical conductors.	A series of procedures are implemented to prevent and manage emergency situations and to increase resilience in crisis situations, such as the innovative 4R resilience strategy for electricity distribution networks. The management of emergency situations arising in the electrical distribution networks is carried out by applying risk prevention and preparedness measures in case of vegetation fires affecting electrical installations. The prevention of fire danger in high and medium voltage transformer stations is carried out in accordance with the Operational Plan on the management of emergency situations arising in the electrical distribution networks.	

10. Engaging local communities

10.1 Education

Future Electrician Program

In 2023, Rețele Electrice companies continued to invest in the training of new generations of energy professionals through the "Future Electrician" program, continuing the collaborations started in 2021 with the three Dual Classes in Constanța, Bucharest and Ialomița.

In collaboration with **the New Horizons Foundation and the SIGMA Association**, the program ensures that high school students receive guidance from both energy experts and specialists in working with teenagers. With their help, students have soft skills development workshops, continually tailored to the specific needs of the students. .

The benefits offered to students remain the same as in previous years, such as scholarships, development workshops, meals and other forms of support, to promote access to education in vulnerable communities.

The "Future Electrician" program in figures:

- 3 Dual Class
- 60 students enrolled
- Over 20 tutors involved
- Over 600 hours of internship within companies
- Over 80 personal development workshops dedicated to students

In addition to the soft skills development workshops and specialized practice within the distribution companies, a team of four students enrolled in the program participated on behalf of Rețele Electrice in the National Competition "Electrician's Trophy", where they had the opportunity to join experienced electrician teams.

Moreover, some of the students enrolled in the "Future Electrician" program took part in a exchange program with high school students of similar age from France and on one of the visits to Romania, they visited Pajura Station, where the Rețele Electrice team offered them a demonstration of how virtual reality can be used.

In 2024, the distribution companies will conclude the "Future Electrician" program, completing the three classes in Constanta, and thanks to the efforts of dedicated teachers and mentors, who managed to combine theory with numerous practical opportunities, these young people are now ready to start their careers and become the best in their field. The distribution companies are looking forward to seeing these graduates integrate into their teams and actively contribute to progress and innovation in the energy sector.

"Teaching the Future" Program

In 2023, the distribution companies continued their collaboration with the **Techsoup Association**, complementing the program with a new series of community meetings that connected teachers with energy experts. They shared valuable experiences aimed at improving the quality of teaching and promoting the exchange of good practices outside their regular communities.

In addition to developing pedagogical technical skills, the companies also focused on identifying and cultivating new competencies among teachers, based on the needs discovered during the workshops. These efforts included increasing technical skills and facilitating access to specialists in the energy sector.

At the end of November 2023, the distribution companies, together with the Techsoup Association, organized a bootcamp for teachers, including a visit to the North Station of the Rețele Electrice, offering them a practical perspective on the industry.

The pilot project "Vocational Training I Teach Future" brought together in Bucharest teams of principals and teachers from four technical and energy high schools in the country, for an intensive two-day experience.

Participants improved their organizational leadership skills and practiced effective communication. They exchanged practices and resources to strengthen their professional and personal resilience, discussing the successes and challenges in their schools and communities.

In addition, they interacted with the Rețele Electrice specialists as part of the visit to the North Transformer Station in Bucharest, where they had the opportunity to consolidate their knowledge on current trends in the energy field.

Digital Festival "Teaching the Future"

The Rețele Electrice companies supported the second edition of the Digital Festival "Teach the Future", which took place between November 1-3, 2023, and was organized by the Techsoup Association.

Approximately 7,700 teachers, school principals and educational decision-makers from Romania and the Republic of Moldova actively participated in this festival, to learn about digital pedagogy, STEAM (Science, Technology, Engineering, Arts, and Mathematics) and digital citizenship.

The festival took place online, offering participants access to two virtual stages where they had the opportunity to choose from a variety of 15 sessions with ideas and best practices, held by 26 Romanian and international experts.

Participants were able to select the sessions according to their level of experience and the subject they teach, explore new concepts, share innovative ideas and discover creative activities for the classroom.

The event facilitated discussions that can open new perspectives in education and provided an ideal framework for sharing resources and ideas in digital pedagogy.

By supporting this event, the distribution companies reaffirmed their commitment to modernizing education and promoting a society that is better informed and adapted to the digital challenges of the future.

10.2 Promoting biodiversity **through educational initiatives**

In the fall of 2023, the distribution companies, together with **the Romanian Ornithological Society (SOR)** organized a series of educational workshops in the communes of Călugăreni, Uzunu, and Hulubești, aiming to promote knowledge about biodiversity and stimulate interest in bird protection among children in these communities.

The activities took place at the school and kindergarten in Călugăreni commune, where SOR has a video camera for monitoring storks' nests, as well as in schools located in the neighboring villages, Uzunu and Hulubești.

The workshops were interactive and educational, addressing both kindergarten children and students in grades 5-7, who had the opportunity to get acquainted with various aspects of bird life, through a combination of educational games and informative presentations.

Topics covered included white stork nests, the use of the "Look, a stork" app that allows users to help monitor birds, bird migration in the cold season due to lack of food and ways of adapting sedentary species that remain in the same area during the winter.

These educational initiatives raise awareness of biodiversity and the need to protect birds while strengthening the connection between local communities and the environment.

10.3 Education for **future energy specialists**

In August 2023, **the Association of Energy and Electrical Engineers (AIEE), in collaboration with EUREL (Convention of National Associations of Electrical Engineers in Europe)** and with the support of Rețele Electrice, organized the **Young Engineers Field Trip 2023** event, an educational trip for young engineers, aimed to contribute to the development of new generations of energy specialists through training activities and the development of relationships between engineers in various locations in Romania.

Twenty young participants, selected to represent various EUREL member associations across Europe, attended the event. The participants, aged between 18 and 35, benefited from technical visits to wind farms, hydropower plants, transformer stations, refineries and various laboratories in Romania, designed to facilitate the deepening of new technologies and good practices. The event also included visits to relevant tourist attractions in Romania, as well as social networking events.

The young engineers gained valuable knowledge into technologies in the energy sector, while also strengthening their connections with other professionals. AIEE and EUREL aim to promote the energy sector as a foundation for economic development, supporting the ethics of the profession of energy engineer and electrician, this event serves as a valuable support for the educational and professional development of this community.

10.4 Supporting local communities **affected by the severe weather-induced crisis**

At the end of November 2023, due to severe weather conditions - red code of strong blizzard, heavy snowfall and near-zero visibility, the electricity supply in the counties of Ialomita, Calarasi, Tulcea and Constanța was quite severely affected. The teams of technicians of Rețele Electrice Dobrogea and the contractors were mobilized to remedy the incidents in the networks and restore power. Additional technician teams were transferred from the Muntenia and Banat regions, to support the efforts in the affected counties. The teams collaborated with central and local authorities to identify and repair weather-related defects, and teams remained on-site until power was restored for all affected customers.

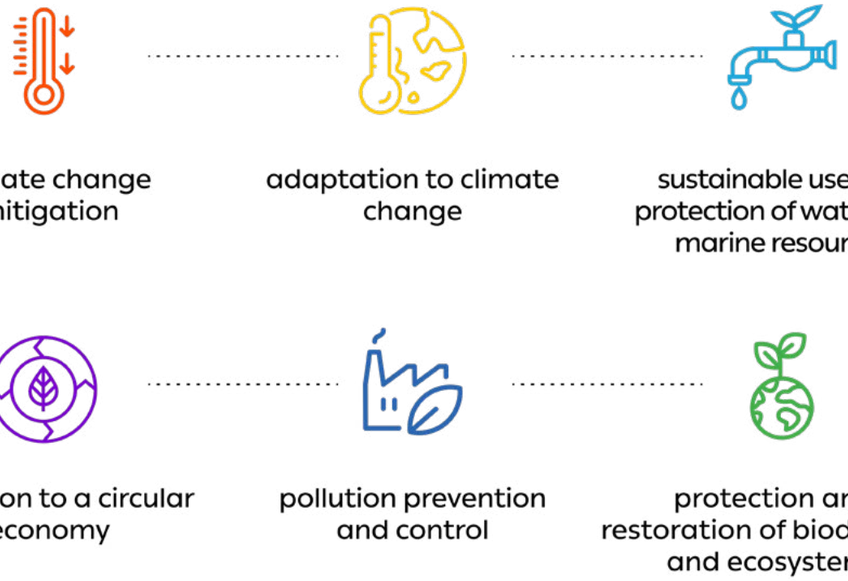
Given the adverse weather conditions and the difficulty of accessing many areas due to closed roads, the interventions were difficult, and the residents did not have access to the basic necessities for a period of time. That is why Rețele Electrice Dobrogea together with **the Constanta Red Cross Branch** came to the support of local communities affected by the crisis induced by severe weather by providing food packages, hygiene products, toys, clothes, books and school supplies, supporting over 300 residents directly impacted by the events.

11.
Position and commitment regarding the European Taxonomy

11. Position and commitment **regarding the European Taxonomy**

This section presents the key performance indicators set out in Article 8 of the EU taxonomy, EU Regulation 2020/852 and the related delegated regulations, for the companies Rețele Electrice Banat S.A., Rețele Electrice Dobrogea S.A. and Rețele Electrice Muntenia S.A..

The EU taxonomy is a classification system that defines economic activities that can be considered environmentally sustainable. This classification system sets six environmental objectives:



At the time of reporting, the delegated acts analyzed under the Regulation refer to all six objectives.

An **'eligible' economic activity** is an activity that corresponds to the description of one of the activities defined in Delegated Regulation (EU) 2021/2139, 2022/1214, 2023/2485 and 2023/2486.An 'eligible' activity has the potential to be considered environmentally sustainable (i.e. 'aligned') if it also meets the additional criteria listed in the above-mentioned Delegated Regulations (EU). More specifically, an economic activity is eligible regardless of whether it meets one or all the technical screening criteria set out in the Delegated Regulations (EU) Therefore, the fact that an economic activity is eligible for the Taxonomy does not provide any indication of the environmental performance and sustainability of that activity.

An **'aligned** activity must comply with the following 4 conditions, as set out in Article 3 of EU Regulation 2020/8521:

- contribute substantially to one or more of the six environmental objectives.
- does not cause significant harm to any of the other five environmental objectives.
- respect minimum social safeguards relating to human rights due diligence, the fight against corruption and bribery, fair taxation and fair competition.
- comply with the technical screening criteria that have been established by the EU and are listed in delegated acts

Eligibility and alignment with the EU Taxonomy must be reported financially, as a percentage of a company's total revenue, total capital expenditure (CapEx) and selected operating expenditure (OpEx).

The EU taxonomy is being phased in over several years in all EU Member States. For the financial year 2023, the Rețele Electrice companies are required to report their contribution in terms of "eligible" and "aligned" activities for at least one of the six environmental objectives, where they apply.

Retele Electrice companies carried out their assessment for the financial year 2023 using the EU Taxonomy Regulation acts and related documentation, the additional guidance issued by the European Commission in the form of Frequently Asked Questions (FAQs) and, where the criteria and guidelines still leave room for interpretation, their own analysis of the criteria. The EU taxonomy is itself subject to regular review and the interpretation of the taxonomy and its criteria may change over time, which could lead to different results in terms of eligibility and alignment with the EU taxonomy in future reporting periods

Impelementation process

7 Regulation (EU) 2020/852 of the European Parliament and of the Council, published in the Official Journal of the European Union of 22 June 2020.

8 Climate Change Delegated Act (Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and (EU) 2022.1214 of 9 March 2022) and Delegated Act on information on performance indicators to be provided (Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021)

9 Minimum safeguards are procedures implemented by a company engaged in an economic activity with the aim of ensuring compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Declaration of Fundamental Rights. Human Rights.

11.1 Assessment of eligibility **for the EU Taxonomy**

The assessment of the eligibility of Rețele Electrice companies' activities in relation to the EU Taxonomy consists of comparing the description of the activity and/or products with the Taxonomy activities that contribute to the six environmental objectives as defined in the Delegated Acts under the Climate Change Taxonomy Regulation. This comparison also considered the relevant NACE codes and the applicable criteria for a substantial contribution.

Turnover

Retele Electrice companies operate in the field of electricity distribution, with an average of 97% of the total revenues generated from these activities. In order to map the company's activities with Delegated Act 2021/2139, the descriptions in the category "4. Energy' of Delegated Regulation 2021/2139 were used. After scanning the entire activity of the company, the following activity was identified as relevant: "4.9. Transmission and **distribution** of electricity".

Analyzing the description of the activity in the category identified above in Delegated Regulation 2021/2139, it is found that the description of the main activity Rețele Electrice companies corresponds to the description of the activity in the Delegated Regulation "**Construction** and **operation** of distribution systems that transport electricity in high, medium and low voltage distribution networks."
In this context, the terms "and" and "or" are used interchangeably in job descriptions, but not in criteria where "and" refers to a cumulative requirement. In general, an economic activity is eligible for the Taxonomy if it constitutes any of the steps referred to in the description of the activity in the placing of that activity on the market (e.g. construction, operation, renovation, installation, maintenance, etc.)."[11]

Considering the previous explanation and according to point 5 of Article 1 of Delegated Regulation 2021/2178 "economic activity eligible for the taxonomy means an economic activity that is described in the adopted delegated acts", Rețele Electrice companies identified the activity "4.9. Electricity transmission and distribution" as an eligible activity and took it into account for the alignment assessment, for the environmental objective climate change mitigation.

Capital expenditures (CapEx)

The investments of the Rețele Electrice companies refer mostly to the main activity, the distribution of electricity. CapEx is mainly aimed at the development and maintenance of electricity distribution activities. As the Companies present relevant turnover activities eligible for the taxonomy, eligible CapEx expenses of type a) have been identified, according to Annex I of Delegated Regulation 2021/2178.

The eligibility analysis also covered type c) (according to Delegated Regulation 2021/2178, Annex I, item 1.1.2.2) of CapEx expenditure, considered individual measures and unrelated to any of the revenue-generating target activities.
No such investments have been identified.

Operating expenses (OpEx)

OpEx, as defined in the EU taxonomy, is mainly limited to 'direct non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as any other direct expenses related to the ongoing maintenance of tangible assets by the company or third party to which activities that are necessary to ensure continuous operation are outsourced and effective use of those assets."
Since the Retele Electrice companies have relevant turnover activities eligible for the taxonomy, the OpEx expenses associated with the revenue-generating target activities "4.9. Electricity transmission and distribution" have been identified as eligible for the taxonomy. Through the analysis of the financial documents, no eligible activities of type c) were identified (according to Delegated Regulation 2021/2178, Annex I, item 1.2.3.2).

11.2 Assessment of alignment **with the EU Taxonomy**

An economic activity aligned with the Taxonomy is officially considered environmentally sustainable. The economic activity eligible for the Taxonomy also becomes aligned if additional criteria are met.

Substantial contribution to climate change mitigation

The electricity distribution activity of the Rețele Electrice companies complies with the technical examination criteria for the activity "4.9. Electricity transmission and distribution", necessary to demonstrate the substantial contribution to climate change mitigation.

The criteria require compliance with at least one requirement in a set of options. Undertakings shall comply with the requirement '1. The transmission and distribution infrastructure or equipment shall be part of an electricity system that meets at least one of the following criteria: (a) the system is the interconnected European system, i.e. the interconnected control areas of the Member States, Norway, Switzerland and the United Kingdom, as well as its subordinate systems.'

By connecting to Transelectrica's Electricity Transmission Network (RET), which ensures integration into the European grid through interconnection points at the borders, the electricity distribution networks that the companies operate are interconnected with all transmission networks and distribution networks in the 36 ENTSO-E member countries . [12]

10 The EU taxonomy includes a reference to NACE codes (2nd ed.) for each activity. However, these references are only illustrative and do not override the specific definition in the text of the Climate Change Delegated Act

11 The answer to the question "8. How to interpret the use of 'and' and 'or' in the description of economic activities' in the Commission Notification on the interpretation and implementation of certain legal provisions of the EU Climate Taxonomy Delegated Act setting out technical screening criteria for economic activities that contribute substantially to climate change mitigation or adaptation and do not significantly harm other environmental objectives as of 20.10.2023.

12 The European Network of Transmission System Operators for Electricity - Rețeaua Europeana a Operatorilor de Transport și Sistem pentru Energie Electrică

11.3 Principle of **'Do No Significant Harm' (DNSH)**

A thorough assessment covering all applicable stipulated technical criteria has been undertaken during the course of the assessment of the principle of "Do No Significant Harm" (DNSH) in accordance with the EU taxonomy.

Adaptation to climate change

Retele Electrice companies have developed a comprehensive climate vulnerability and risk assessment study for all geographical areas where distribution networks are present. The study meets the criteria set out in Appendix A of the relevant Annex to Delegated Regulation 2021/2139. The climate projections considered in the study and the impact assessment were based on the methodologies recommended by the Intergovernmental Panel on Climate Change (IPCC).
For the most significant risks identified (mainly caused by the increase in temperature and the amount of precipitation), the companies respond with mitigation measures already implemented or foreseen in the short term, with intervention plans and procedures to prevent emergency situations, all of which led to an adaptation of the activity to current and future climate risks in the short and medium term (until 2050).

Sustainable use and protection of water and marine resources

There are no requirements to this environmental objective for the electricity distribution activity

Transition to a circular economy

Rețele Electrice companies follow a comprehensive waste management plan that emphasizes maximum reuse and/or recycling at the end-of-life, in accordance with the waste hierarchy. This plan is supported by contractual agreements with waste management partners.

Pollution prevention and control

The Companies carry out construction and intervention work on high-voltage overhead lines based on a set of rules, procedures and guidelines designed to protect the environment, human health and safety. The application of these rules and procedures is carried out in the spirit of the general guidelines on the subject developed by the International Finance Corporation (IFC).

Also, with regard to high-voltage overhead lines, the electricity distribution activities of the Rețele Electrice companies comply with the applicable Romanian rules and regulations (GD 520/2016) to limit the impact of electromagnetic radiation on the health of workers and the population in general.

These rules are aligned with the specific European regulations on limiting the exposure of the general public to electromagnetic fields (0 Hz – 300 GHz). The Companies have an annual plan for measuring electromagnetic field indicators (electric field strength and magnetic induction) in populated areas through which they demonstrate compliance with the maximum legal values.

As a measure to prevent pollution, the equipment in the installations belonging to the Rețele Electrice companies does not contain polychlorinated biphenyls (PCBs), in accordance with the Romanian and European standards in force. The last equipment (capacitor banks) containing PCBs was removed in 2011. The distribution companies continue to monitor the quantities of PCBs in the hazardous waste generated, conducting regular analyzes whose results indicate strict compliance with the maximum legal values of PCBs.

Protection and restoration of biodiversity and ecosystems

The Companies' activities meet the criteria set out in Appendix D of the relevant Annex to Delegated Regulation 2021/2139, regarding biodiversity.

The activity of operating distribution networks (NACE code 3513), according to Order 1798/2007 (of the Ministry of Environment and Sustainable Development for the approval of the authorization procedure for activities with environmental impact) is not included in the list of activities that require obtaining the environmental permit.

In the case of construction/development projects that intervene in the operation of networks in sites/operations located in biodiversity-sensitive areas or near these areas, the companies go through the project regulation procedures according to Law 292/2018 on the assessment of the impact of certain public and private projects on the environment. As part of this process, the environmental authorities decide, as appropriate, whether the projects are subject to the appropriate assessment phase and the need for mitigation measures resulting from the study.

For all activities carried out in the perimeter or in the vicinity of the protected natural areas, the Retele Electrice companies comply with the management plans and regulations of the respective natural areas.

The interest in the protection of biodiversity is manifested within the companies above the strict compliance with the legal provisions, in accordance with the requirements of the Taxonomy. The Retele Electrice companies are actively involved in projects to improve the conservation status of certain protected bird species, in collaboration with NGOs and relevant authorities.

13 The appropriate assessment is defined according to the European directives 2009/147/EC on the conservation of wild birds and 92/43/EC on the conservation of natural habitats and wild flora and fauna, directives transposed in Romania by GEO 57/2007 on the regime of protected natural areas, conservation of natural habitats, wild flora and fauna.

11.4 Compliance with **minimum safeguards**

The assessment of Retele Electrice companies' compliance with the minimum social safeguards of the EU Taxonomy was carried out through a examination on four essential topics: human and labor rights, bribery and corruption, taxation and fair competition. On all of these issues, the conclusion is alignment with the standards of responsible conduct in business and compliance with minimum social safeguards.

Human and labour rights

Retele Electrice companies have adopted a Human Rights policy anchored in the Guiding Principles on Business and Human Rights established by the "Protection, Respect and Remedies" framework defined by the United Nations and in accordance with the Guidelines for Multinational Enterprises formulated by the Organization for Economic Co-operation and Development (OECD). Significant organizational changes in 2023 (sale of the company) have impacted the roll out of the current existing due diligence process on human rights.

Companies were only involved in the preliminary stages of the process throughout 2023, but in the future, they will establish and implement their own due diligence processes required to support the commitment to human rights.

The current phase is transitional, presenting the approach to host and integrate all the processes previously managed by the Group at local level.

Regarding the work environment, the companies ensure, through the adopted Policy on harassment and discrimination in the workplace, an organizational culture that does not tolerate any form of harassment and/or discrimination in the workplace. The companies offer a safe working environment as well as mechanisms for reporting and resolving situations of harassment or discrimination.

During 2023, there were no violations of key social principles and human and labor rights.

Bribery and corruption

Rețele Electrice companies have zero tolerance for bribery and corruption. This conduct is expressed and supported by the Anti-Bribery Policy, the Anti-Bribery Management System Manual and the Zero Tolerance Plan.

With the help of the anti-bribery management system in accordance with the ISO 37001 standard and through the presence of an independent anti-bribery compliance committee, any behavior that does not comply with the anti-bribery policy is followed up, with the application of the sanction system, awareness and training of employees in relation on the issues is promoted and a secure mechanism for reporting non-compliant behavior is provided.

Taxation

The companies adhere to tax regulations, ensuring the correct calculation and payment of all taxes on time.

The tax strategy prior to the sale of the company was continued and any new strategies or guidelines coming from the new shareholder will be considered and implemented locally. In order to ensure full and timely tax compliance, the Rețele Electrice companies have a set of controls regarding corporate income tax and VAT, including the obligation to separate the calculation and verification of data actions.

Fair competition

Rețele Electrice companies support a competition law compliance program. As part of the program, the Competition Compliance Manual is intended to familiarize all employees with the most important competition rules, as well as the types of behaviors that must be avoided in order to ensure a normal competitive environment.

11.5 Conclusion of the **EU Taxonomy alignment assessment**

The conclusion of the assessment is that the electricity distribution activity within the Rețele Electrice companies aligns with the strict criteria established by the EU Taxonomy in the category "4.9. Electricity transmission and distribution' of Delegated Regulation 2021/2139, for the Climate Change Mitigation objective.

This activity is not only eligible for taxonomy, but also demonstrably:

- meets the technical screening criteria, highlighting its substantial contribution to one of the environmental objectives defined by the EU taxonomy, climate change mitigation
- comply with the technical criteria of the 'do no significant harm' (DNSH) principle relevant to the activity concerned
- minimum social safeguards.

11.6 EU Taxonomy Key Performance Indicators

By assessing the activity of the Rețele Electrice companies in relation to the specific criteria of the Taxonomy, it was determined that they are aligned with the Climate Change Mitigation objective. The calculation of the alignment ratio to all key indicators was based on EU Taxonomy specific methodology (EU Delegated Regulation 2021/2139, EU Regulation 852/2020 with the related delegated regulations) and the financial-accounting statements prepared by the Companies in the statutory reporting system according to OMFP 1802/2014 with subsequent amendments and completions.

It was considered relevant that the key indicators be reported to the aggregate level of the 3 distribution companies - Rețele Electrice Banat, Muntenia and Dobrogea .

Turnover

Numerator for determining the taxonomy-aligned percentage (turnover)
The numerator accounting for taxonomy aligned activities equals **2,629,633,226.74 RON.**

The percentage of turnover aligned is **97%**.

Denominator for determining the taxonomy-aligned percentage (turnover)
The denominator is the total net turnover for the financial year 2023 - **2,705,941,792.31 RON.**

Detailed information can be found in Table 1.

Capital expenditure

Taxonomy-aligned percentage (CapEx) numerator
The numerator accounting for taxonomy aligned activities equals **1,029,286,893.75 RON.**

The percentage of aligned activities is equal to **99,7%**.

Denominator for determining the Taxonomy-aligned percentage (CapEx)
The denominator is comprised of the total capital expenditures for the FY 2023 – **1,031,950,189.16 RON.**

Detailed information can be found in Table 2.

Operating expenses

Taxonomy-aligned percentage (OpEx) numerator
The numerator accounting for taxonomy aligned activities equals **158,495,288.17 RON.**

The percentage of aligned activities is equal to **95%**.

Denominator for determining the Taxonomy-aligned percentage (OpEx)
The denominator, as defined in the EU Taxonomy, includes only non-capitalised direct costs relating to research and development, building refurbishment measures, short-term leasing, maintenance and repair, as well as any other direct expenditure related to the day-to-day maintenance of tangible assets by the enterprise or third party to which activities are outsourced that are necessary to ensure the continued and efficient operation of those assets active[14].

However, maintenance and repair or other direct costs could also be relevant for intangible assets (e.g. right-of-use assets, software). As such, all these costs should be part of the denominator of the OpEx KPI[15].

The denominator thus constructed equals **167,052,991.74 RON.**

Detailed information can be found in Table 3.

Activities related to nuclear energy and fossil gas

Rețele Electrice Companies have no exposure to activities related to the production, construction, or operation of facilities that generate electricity or heat from nuclear sources or fossil gas fuels

Since no nuclear energy and gas-related activities have been identified for Companies, the remaining tables set out in Annex III to Delegated Regulation (EU) 2022/1214 are considered not to be applicable.

14 Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, section 1.1.3.1
15 FAQ 34 of the Commission Communication Notice of 20 October 2023.

Turnover

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')									
Economic activities (1)	Code	Turnover	Proportion of turnover	Climate change migration	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Climate change migration	Climate change adaptation	Water and marine resources	Pollution	Circular Economy	Biodiversity and ecosystems	Minimum safeguards	Proportion of taxonomy aligned or eligible turnover, 2022	Category (enabling activity or)	Category (transitional activity)
		Ron	%	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Enviromentally sustainable activities (aligned to taxonomy)																			
Electricity transmission and distribution	3513 CCM 4.9	2,629,633,226.74	97%	Yes	N[1]	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	97%		
Turnover of enviromentally sustainable activities (aligned to taxonomy) (A,1)		**2,629,633,226.74**	**97%**	**97%**	0%	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**97%**		
Of which facilitation activities		0	0%	0%	0%													E	
Of which transition activity		0	0%																T
A.2 Taxonomy-eligible but not enviromental sustaiable activities (not taxonomy-aligned activities) (g)																			
Turnover of taxonomy-eligible but not enviromenttally sustainable activities (not taxonomy-aligned activities) (A.2)		**0**	**0%**	**0%**	0%	N/EL	N/EL	N/EL	N/EL								3%		
A. TOTAL (A.1 + A.2)		**2,629,633,226.74**	**97%**	**97%**	0%												**100%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
TURNOVER OF TAXONOMY NON-ELIGIBLE ACTIVITIES		**76,308,565.57**	**3%**																
TOTAL (A + B)		**2,705,941,792.31**	**100%**																

Table 1. Proportion of turnover associated with Taxonomy-aligned economic activities 2023

N[1] - - Activities eligible for the environmental objective Climate Change Adaptation have not been evaluated for alignment because the priority of the Companies is to contribute substantially to the Climate Change Mitigation objective, considered the most relevant for the KPI calculation.

Yes – Yes, activity eligible for the taxonomy and aligned to the taxonomy with the relevant environmental objective

N – No, activity eligible for the taxonomy, but not taxonomically aligned with the relevant environmental objective

N/EL - Ineligible, taxonomy-eligible activity for the relevant environmental objective.

Absolute Turnover (A.1.):
refers to the total turnover aligned with the taxonomy, calculated according to the eligibility criteria.

Absolute Turnover (A.2.):
refers to the total turnover eligible and non-aligned with the Taxonomy, calculated according to the eligibility criteria.

Absolute Turnover (A.1.+A.2.):
refers to the total turnover aligned and non-aligned, representing the total turnover for the distribution activity according to the accounting records for the year 2023.

Proportion of Turnover:
represents the proportion of the reported economic activity from the total turnover for the distribution activity according to the accounting records for the year 2023.

Climate Change Mitigation:
the proportion of turnover that contributes to climate change mitigation.

Objectives Not Applicable:
no substantial contribution criteria have been disclosed for these objectives as of the date of this report.

DNSH (Do No Significant Harm) criteria:
specifies whether the DNSH criteria for each of the other 5 environmental and climate objectives is met for the reported economic activity (Yes/No).

Minimum safeguards:
specifies whether the minimum safeguards are met for the reported economic activity.

Category:
specifies whether an activity that has a significant contribution to mitigating climate change is facilitative or transitional.

Capital Expenditures (CapEx)

				Substantial contribution criteria						DNSH Criteria ('Does not significantly harm')									
Economic activities	Code	CapEx	Pro-portion of CapEx	Climate change migration	Climate change adapttion	Water and marine resources	Pollution	Circular Economy	Biodiversity and eco-systems	Climate change migration	Climate change adapta-tion	Water and marine resources	Pollution	Circular Econo-my	Biodiversity and eco-systems	Minimum safe-guards	Propor-tion of taxonomy aligned or eligible CapEx,, 2022	Category (enabling activity or)	Category (transition-al activity)
		Ron	%	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Enviromentally sustainable ac-tivities (aligned to taxonomy)																			
Electricity transmission and distribution	3513 CCM 4.9	1,029,286,893.75	99,7%	Yes	N[1]	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%		
CapEx of enviromentally sustainable activities (aligned to taxonomy) (A,1)		**1,029,286,893.75**	**99,7%**	**99,7%**	0%	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**100%**		
Of which facilitation activities		0	0%	0%	0%													E	
Of which transition activity		0	0%																T
A.2 Taxonomy-eligible but not envi-romental sustaiable activities (not taxonomy-aligned activities) (g)																			
CapEx of taxonomy-eligible but not enviromenttally sustainable activities (not taxonomy-aligned activities) (A.2)		**0**	**0%**	**0%**	0%	N/EL	N/EL	N/EL	N/EL								3%		
A. TOTAL (A.1 + A.2)		**1,029,286,893.75**	**99,7%**	**99,7%**	0%												**100%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx OF TAXONOMY NON-ELIGIBLE ACTIVITIES		**2,663,295.41**	**0,3%**																
TOTAL (A + B)		**1,031,950,189.16**	**100%**																

Table 2. Proportion of CapEx associated with Taxonomy-aligned economic activities 2023

N[1] - Activities eligible for the environmental objective Climate Change Adaptation have not been evaluated for alignment because the priority of the Companies is to contribute substantially to the Climate Change Mitigation objective, considered the most relevant for the KPI calculation.

Yes– Yes, activity eligible for the taxonomy and aligned to the taxonomy with the relevant environmental objective

N – No, activity eligible for the taxonomy, but not taxonomically aligned with the relevant environmental objective

N/EL - Ineligible, taxonomy-eligible activity for the relevant environmental objective.

Absolute CapEx (A.1.):
refers to the total CapEx aligned with the taxonomy, calculated according to the eligibility criteria.

Absolute CapEx (A.2.):
refers to the total CapEx eligible and non-aligned with the Taxonomy, calculated according to the eligibility criteria.

Absolute CapEx (A.1.+A.2.):
refers to the total CapEx aligned and non-aligned, representing the total CapEx for the distribution activity according to the accounting records for the year 2023.

Proportion of CapEx:
represents the proportion of the reported economic activity from the total CapEx for the distribution activity according to the accounting records for the year 2023.

Climate Change Mitigation:
the proportion of turnover that contributes to climate change mitigation.

Objectives Not Applicable:
no substantial contribution criteria have been disclosed for these objectives as of the date of this report.

DNSH (Do No Significant Harm) criteria:
specifies whether the DNSH criteria for each of the other 5 environmental and climate objectives is met for the reported economic activity (Yes/No).

Minimum safeguards:
specifies whether the minimum safeguards are met for the reported economic activity.

Category:
specifies whether an activity that has a significant contribution to mitigating climate change is facilitative or transitional.

Operational Expenses (OpEx)

				Substantial contribution criteria						DNSH Criteria ('Does not significantly harm')									
Economic activities	Code	OpEx	Pro-portion of OpEx	Climate change migration	Climate change adapttion	Water and marine resources	Pollution	Circular Economy	Biodiversity and eco-systems	Climate change migration	Climate change adapta-tion	Water and marine resources	Pollution	Circular Econo-my	Biodiversity and eco-systems	Minimum safe-guards	Propor-tion of taxonomy aligned or eligible OpEx, 2022	Category (enabling activity or)	Category (transition-al activity)
		Ron	%	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes; N; N/EL;	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	Yes/N	%	E	T
A. Taxonomy-eligible activities																			
A.1 Enviromentally sustainable ac-tivities (aligned to taxonomy)																			
Electricity transmission and distribution	3513 CCM 4.9	158,495,288.17	95%	Yes	N[1]	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	99,59%		
OpEx of enviromentally sustainable activities (aligned to taxonomy) (A,1)		**158,495,288.17**	**95%**	**95%**	0%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	**99,59%**		
Of which facilitation activities		0	0%	0%	0%													E	
Of which transition activity		0	0%																T
A.2 Taxonomy-eligible but not envi-romental sustaiable activities (not taxonomy-aligned activities) (g)																			
OpEx of taxonomy-eligible but not enviromenttally sustainable activities (not taxonomy-aligned activities) (A.2)		**0**	**0%**	**0%**	0%	N/EL	N/EL	N/EL	N/EL								0,41%		
A. TOTAL (A.1 + A.2)		**158,495,288.17**	**95%**	**95%**	0%												**100%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx OF TAXONOMY NON-ELIGIBLE ACTIVITIES		**8,557,703.57**	**5%**																
TOTAL (A + B)		**167,052,991.74**	**100%**																

Table 3. Proportion of OpEx associated with Taxonomy-aligned economic activities 2023

N1 - Activities eligible for the environmental objective Climate Change Adaptation have not been evaluated for alignment because the priority of the Companies is to contribute substantially to the Climate Change Mitigation objective, considered the most relevant for the KPI calculation.

Yes – Yes, activity eligible for the taxonomy and aligned to the taxonomy with the relevant environmental objective.

N – No, activity eligible for the taxonomy, but not taxonomically aligned with the relevant environmental objective

N/EL - Ineligible, taxonomy-eligible activity for the relevant environmental objective.

Absolute OpEx (A.1.):
refers to the total OpEx aligned with the taxonomy, calculated according to the eligibility criteria.

Absolute OpEx (A.2.):
refers to the total OpEx eligible and non-aligned with the Taxonomy, calculated according to the eligibility criteria.

Absolute OpEx (A.1.+A.2.):
refers to the total OpEx aligned and non-aligned, representing the total OpEx for the distribution activity according to the accounting records for the year 2023.

Proportion of OpEx:
represents the proportion of the reported economic activity from the total OpEx for the distribution activity according to the accounting records for the year 2023.

Climate Change Mitigation:
the proportion of turnover that contributes to climate change mitigation.

Objectives Not Applicable:
no substantial contribution criteria have been disclosed for these objectives as of the date of this report.

DNSH (Do No Significant Harm) criteria:
specifies whether the DNSH criteria for each of the other 5 environmental and climate objectives is met for the reported economic activity (Yes/No).

Minimum safeguards:
specifies whether the minimum safeguards are met for the reported economic activity.

Category:
specifies whether an activity that has a significant contribution to mitigating climate change is facilitative or transitional.

12. Appendix

12.1 Appendix 1: **Abbreviations**

Abbreviations	Explication
(t)	tons
°C	Celsius degrees
ACER	EU Agency for the Cooperation of Energy Regulators
ACUE	Federation of Associations of Energy Utility Companies
AIEE	Association of Energy and Electrical Engineers
AmCham	American Chamber of Commerce
ANPC	National Authority for Consumer Protection
ANRE	Romanian Energy Regulatory Authority
ARBDD	Administration of the Danube Delta Biosphere Reserve
ARPEE	Romanian Association for the Promotion of Energy Efficiency
B2B	Bussines to bussines
B2C	Bussines to clients
Blue Collar	Working class person who performs manual labor or skilled trades
BRML	Romanian Bureau of Legal Metrology
CapEx	Capital Expenses
CATI	Computer Assisted Telephone Interviews
CAWI	Computer Assisted Web Interviews
CDR	Coalition for the Development of Romania
CEER	Council of European Energy Regulators
CEO	Chief Executive Officer
CMIP6	Coupled Model Intercomparison Project
CNAIR	National Road Infrastructure Administration Company
CNR-CME	World Energy Council - Romania National Committee
CSRD	Corporate Social Reporting Directive
CSV	Creating Shared Value
DNSH	Do Not Significant Harm Principle
EA MLA	European co-operation for Accreditation Multilateral Agreement
EC	European Comission
ECOS	Extra Checking on Site
EDSO	European Distribution System Operators
ENTSO-E	European Network of Transmission System Operators for Electricity
EPG	Energy Policy Group

Abbreviations	Explication
ERP	Enterprise Resource Planning
ESG	Environment, Social, Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EUR	Euro currency
EUREL	Convention of the National Associations of Electrical Engineers in Europe
FAQ	Frequently Asked Questions
FIC	Foreign Investor Council
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GHG Protocol	An international standard used to measure and manage greenhouse gas (GHG) emissions.
GHz	Giga Hertz
GIS	Geographic information system
GJ	Giga Joules
GRI standards	Global Reporting Initiative
GSCC030	Protective devices to avoid the risk of electrocution of birds
GSCC031	Protective devices to avoid the risk of collision of birds with power lines and other protective devices for birds.
GW	Giga Watts
h	Hour/s
H&S	Health and Safety
HG	Governmental Decision
Hz	Hertz
IFC	International Financial Corporation
IMS	Integrated Management System
IPCC	Intergovernmental Panel on Climate Change
IPE	Individual Protection Equipment
IRO	Impacts, Risks and Opportunities
ISO standards	International Organization for Standardization
ITM	Territorial Labor Inspectorate
IUCN Red List	Critical indicator of the health of the world's biodiversity, in the form of a list of species and their status of danger, a powerful tool for informing and catalyzing actions for biodiversity conservation and policy change, essential for protecting natural resources.
km	kilometers

Abbreviations	Explication
kV	kilo volts
kW	kilo watts
LEA	Linii Electrice Aeriene
LED	Light-emitting diode an electronic device that gives off light when it receives an electrical current.
Likert scale	A rating scale used to measure survey participants' opinions, attitudes, motivations, and more.
LV	Low Voltage
MACEE	Centralized Purchase Mechanism of Electric Energy
Middle Manager	A manager in an organization at a level between senior and junior managers.
Mil.	Million
MIP	Maintenance insurance program
MV	Medium Voltage
MVA	Megavolt-ampere
MWh	Mega Watts per hour
NACE	Statistical classification of economic activities in the European Community
NGO	Non-Guvernamental Organization
no.	Number
NTE 009	The procedures and measures necessary for the safe operation and handling of equipment in medium and high voltage electrical networks.
OECD	Organisation for Economic Co-operation and Development
OMFP	Order of the Minister of Public Finance
OPCOM	Operator of the Electric Energy and Natural Gas Market in Romania
OpEx	Operational Expenses
OPL	Overhead Power Lines
OSHC	Occupational Safety and Health Committee
OTC	Own Technological Consumption
OUG	Emergency Ordinance
PCB	Polychlorinated biphenyls
PEREGRINUS	Association for Falconry and the Protection of Birds of Prey
POD	Point of Delivery
PPC	Public Power Corporation
PRAM	The verification of the grounding outlets and the lightning rod
PRB	Platform-type equipment used for use at height, including mounted on electric wires in substations.

Abbreviations	Explication
RCP 4.5	Representative Concentration Pathways
REB	Rețele Electrice Banat
REC	Romanian Energy Center
RED	Rețele Electrice Dobrogea
REM	Rețele Electrice Muntenia
RET	Electric Transmission Network
RON	Romanian currency
RPIA	Romanian Photovoltaic Industry Association
RWEA	Romanian Wind Energy Association
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SBT	Science-Based Targets
SCADA	Supervisory Control and Data Acquisition
SF6	Sulfur hexafluoride
SMI	Sistem de Management Integrat
SOR	Romanian Ornithological Society
STEAM	Science, Technology, Engineering, Arts and Matematics
tCO_2e	Tons of CO_2 equivalent
TEC	Technical Economic Council
TESA	Technical, Economic and Socio-Administrative
TJ	Terra Joules
TP	Transformation Posts
TWh	Terra Watts per hour
U.M.	Unit of measure
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGC	United Nations Global Compact
UPL	Underground Power Lines
VAT	Value Added Tax
WEEE	Waste electrical and electronic equipment
White Collar	A person who performs professional service, desk, managerial, or administrative work.
WHO	World Health Organization
ZTC plan	Zero Tolerance for Corruption plan

12.2 Appendix 2: **GRI indicators**

GRI Standards - General Indicators 2021	Page
Organisational profile	
2-1 Organizational Details	12-13
2-2 Entities included in the organization's sustainability reports	12-13
2-3 Reporting period, frequency and point of contact	12-13
2-4 Restatement of information	12-13
2-5 External insurance	12-13
2-6 Activities, value chain and other business relationships	32-35
2-7 Employees	66-68
2-8 Non-Employed Workers	64-65
2-9 Structure and composition of governance	38-39
2-10 Nomination and selection of the highest governance body	38-39
2-11 President of the highest governance body	38-39
2-12 Role of the highest governance body in overseeing impact management	38-39
2-13 Delegation of responsibility for impact management	38-39
2-15 Conflicts of interest	40-45
2-16 Communicating critical concerns	50-54
2-17 Collective knowledge of the highest governance body	38-39
2-19 Remuneration Policies	38-39
2-19 Politici de remunerare	38-39
2-20 Remuneration Determination Process	38-39
2-21 Annual Total Compensation Report	38-39
2-22 Declaration on the Sustainable Development Strategy	8-9
2-23 Policy commitments	40-41; 46-49; 97-98
2-24 Mainstreaming policy commitments	40-41; 46-49
2-25 Processes to remedy the negative impact	46-49
2-26 Mechanisms for requesting advice and expressing concerns	41
2-27 Compliance with Laws and Regulations	45
2-28 Membership of associations	35-36
2-29 Stakeholder engagement approach	57-60
2-30 Collective bargaining agreements	65

ABOUT MATERIALITY STRATEGY PEOPLE HEALTH PERFORMANCE MODERNIZATION ENVIRONMENT COMMUNITIES TAXONOMY APPENDIX

GRI Standards - General Indicators 2021	Page
Material aspects	
3-1 Material Determination Process	16-29
3-2 List of material aspects	22
Economic and governance aspects	
GRI 201-1 Directly Generated Economic Value and Distributed Economic Value	92-93
GRI 205-1 Transactions assessed for corruption-related risks	94-95
GRI 205-2 Communication and Training on Anti-Corruption Policies and Procedures	56
GRI 205-3 Confirmed Corruption Incidents and Actions Taken	44
GRI 206-1 Legal Measures for Anti-Competitive, Antitrust and Monopoly Practices	45
Environmental aspects	
GRI 302-1 Energy Consumption in the Organization	116-118
GRI 302-4 Energy Consumption Reduction	116-118
GRI 302-3 Energy Intensity	116-118
GRI 304-1 Operational sites owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	130-132
GRI 304-2 Significant impacts of activities, products and services on biodiversity	130-132
GRI 305-1 Direct GHG Emissions (Scope 1)	119-122
GRI 305-2 Indirect GHG Emissions (Scope 2)	119-122
GRI 305-4 GHG Emission Intensity	119-122
GRI 306-2 Management of Significant Waste-Related Impacts	123-126
GRI 306-4 Waste diverted from disposal	128-129
GRI 308-1 New Suppliers That Have Been Analyzed Using Environmental criteria	55-57
GRI 308-2 Negative Environmental Impacts in the Chain and actions taken	55-57
Social aspects	
GRI 401-1 New Employees and Employee Retention	68-71
GRI 401-2 Benefits Offered to Full-Time Employees Not Offered to Part-Time or Temporary Employees	68-71
GRI 402-1 Minimum Notice Periods Regarding to operational changes	65
GRI 403-1 Occupational Health and Safety Management Systems with a Focus on Workplace Safety	78-81
GRI 403-2 Hazard Identification, Risk Assessment and Investigating incidents	81-84
GRI 403-3 Occupational Health Services	87-88
GRI 403-4 Participation, consultation and communication workers on occupational safety and health	81-82; 85-87

GRI Standards - General Indicators 2021	Page
GRI 403-5 Training of workers in the field of occupational health and safety	81-82
GRI 403-6 Employee Health Promotion	81-82
GRI 403-7 Prevention and Mitigation of Security Impact and occupational health directly related to business relations	81-82
GRI 403-9 Accidents at work	78-81; 86-87;
GRI 403-10 Occupational Health Condition	78-81; 86-87
GRI 404-1 Average number of hours of training, per year, per employee	72-73
GRI 404-2 Programs for the Improvement of Employee Competencies and Transition Support Programs	72-73
GRI 404-3 Percentage of Employees Benefiting from Periodic Career Development Assessment Programs	72-73
GRI 405-1 Diversity of Management Structures and Employees	73-74
GRI 406-1 Incidents of Discrimination and Corrective Measures Applied	75
GRI 407-1 Operations and suppliers where the right to association and collective bargaining is subject to risks	55-57
GRI 408-1 Operations and Suppliers at Significant Risk of Child Exploitation Incidents	55-57
GRI 409-1 Operations and Suppliers at Significant Risk of Incidents of Forced or Compulsory Labor	55-57
GRI 413-1 Operations where processes of local community involvement, impact assessment and development programs are carried out	144-147
GRI 414-1 New suppliers that have been analyzed according to criteria	55-57
GRI 414-2 Negative Social Impacts on the Supply Chain and actions taken	55-57
GRI 415-1 Policy Contributions	57
Sector-specific indicators	
EU 6 Management approach to ensure the availability and reliability of electricity in the short- and long-term;	92-98
EU 7 Energy demand management programmes, including residential, commercial, institutional and industrial programmes;	92-98
EU 8 Research and development activities and expenditure aimed at providing reliable electricity and promoting sustainable development;	92-98
EU 10 Planned capacity against projected long-term electricity demand, broken down by energy source and regulatory regime;	92-98
EU 12 Transmission and distribution losses as a percentage of total energy;	92-98
EU 27 Number of residential disconnections for non-payment;	92-98
EU 28 Frequency of power interruption;	92-98
EU 29 Average duration of power outage	92-98

rețele electrice

Timișoara
Str. Pestalozzi,
Nr. 3-5

Constanța
Strada Nicolae Iorga,
Nr. 89A, Parter

București
B-dul. Mircea Vodă, Nr. 30,
Etaj 2, Sectorul 3