



**DISTRIBUȚIE
OLTENIA**

**DISTRIBUȚIE ENERGIE OLTENIA
SUSTAINABILITY REPORT | 2016**

Summary

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Foreword

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Dear Reader,

Bringing electricity to more than 3,5 million people, operating an electrical network that spans over 7 counties, taking care of our close to 1300 employees, being a reliable partner for Romanian authorities and in the same time a profitable business that is satisfying our shareholders are coming with tremendous responsibility.

As we have been counting on a local team of highly skilled specialists and managers, our operational approach has rather been that of a local investor with international background. Therefore, in the last 12 years, we worked restlessly to become and remain a trustful and reliable partner to all our internal and external stakeholders, by considering our social and environmental responsibilities equally important as the economic one.

Although our efforts in the sustainability field were constant since the moment of coming to Romania, we are publishing a sustainability report for the first time. We took this matter seriously and engaged within the last year into a deeper conversation with our internal and external stakeholders in order to better understand their expectations and thus to be able to adjust our priorities accordingly.

One of our main concerns is that our activity brings added value to clients, employees, partners, suppliers, authorities or the communities wherein we operate now and wherein we will also be in the future.

Looking back to 2016, I believe we are closer than ever to fulfil our promise and our ambition to deliver more than just energy. I hope you too will be convinced of it as I'll proudly share some key results that we



were able to achieve in just one year:

- We distributed electrical energy to approx. 1.437.240 consumption places in 7 counties in the southern part of Romania;
- We operated an electrical network which consists of 54,890 km of power lines, 143 110 kV/MT conversion stations, 60 MT/MT transformation stations, 81 points of supply and 10 288 transformation posts;
- We allocated over 95 mld. EUR for investments in the distribution network, which will lead to maximum efficiency in energy provision by 2020; already from 2016, due to the implementation



of SMART Transformation Project, our energy losses and power interruptions reached almost historical minimums;

- If the case arises, our clients can signal malfunctions or file complaints by using one of our 10 communication channels (online form, fax, emails, direct phone lines) or by visiting one of our 16 Customer Care Centres, whose services are aiming for state-of-the-art (80% of the clients' solicitations are taken up in less than 20 minutes in the Customer Care Centers; 80% of the phone calls are taken in less than 45 seconds; 3.5 minutes is the average response time for questions linked to the power services);
- Nevertheless, we take pride in the fact that our clients are satisfied clients – brand studies conducted in 2016 show that more than 50% of our customers are pleased with the quality of our services, 30% consider our employees to be real specialists;
- Our 1228 employees are highly trained, client-focused and performance-driven and we are grateful for their loyalty to the company - in 2016 we recorded a retention rate of 90%; in addition to a solid package of social and financial benefits (only in 2016, we invested more than 7,811,000 RON in bonuses and benefits), all employees go through an average of 25 hours of training/year, which enhances their professional abilities, but also their capacity to deliver services at the quality standards that we promote;
- We kicked-off a new strategic program – “The Academy” – which trains our taskforce for the future: 24 of our employees, from different

organizational level (executive to management) participated in a 2-months training program, aimed to develop their leadership and managerial skills;

- Our clients, our partners and the local community are – in principle – one and the same thing; it seemed natural to prove we care for this eco-system and, to this end, we invested more than 628,000 RON in CSR programs, which were implemented at our own initiative (i.e. Electrician Apprentice), or which were received for sponsorship from local actors;
- Electrician Apprentice, our flagship program on vocational education, has been successfully piloted in Craiova and Pitești to grow the next generation of electricians, in a professional landscape where specialists are becoming increasingly scarce; not only have we convinced 48 youngsters to enrol into the program, at the completion of their gymnasium, but we have endowed their high-schools with best equipped electric laboratories, we've awarded monthly performance scholarships to top 5 students and we've supported a 360° formation of the apprentices, combining practical internships, personal development workshops and technical presentations in classrooms;
- Our drive towards successful and sustainable development is upheld by a strong ethical ground and sense of responsibility, which shapes our everyday relation with clients, partners and communities; safety, performance, innovation, professionalism and collaboration are the values underpinning a high-end compliance system which we implemented



across all our companies in 2016 and which resides on strong Codes of Conduct and Ethics, translated into equivalent policies (on anti-corruption, conflict of interests, etc) and backed by whistle blowing channels and controlling procedures;

- We also enhanced our green aura by championing the adoption of clean energy use in the everyday mobility – therefore, we implemented an e-mobility awareness campaign in Oltenia, inviting all our employees to drive 2 electric cars from our carpool and to recharge it using the 2 electrical charging stations installed in Pitești and Craiova; 191 employees drove the electric vehicles and 33 owners of electric or hybrid cars received a free energy supply (amounting to 429 kWh).

Though these are just few examples of our results, they are also the accomplishments which brought us the highest recognition throughout the year:

- Trophy of Excellency, awarded by the Chamber of Commerce and Industry of Dolj County for consecutive ranking among top companies for 5 years in a row;
- 1st prize at the category “Very big companies from the energy distribution sector”, awarded by the same Chamber of Commerce and Industry;
- 1st prize for the “Energy Efficiency Program of the Year” at the Gala “Romanian Energy Awards” and the “Energy Initiative of the Year” title, within the same Gala, for the SMART

Transformation project.

Assessed through the lenses of 2016, our present and future are challenged to deliver even more – a challenge which we are more than happy to take. We hope a quick review of our performance objectives for the coming years, as laid out in the next chapter, can inform you both of our commitment to continuous improvement, as well as to the innovation we intend to bring in the energy sector.

The future we foresee will be driven by the new sources of energy, generated in conditions of maximum efficiency with minimum environmental costs, distributed in a safe and economical way to a consumer which is well informed and well aware of energy’s value, and which becomes our partner in co-creating it.

In the following pages, I invite you to follow our efforts of bringing positive changes in the lives of those impacted by our business and we do hope you will let us know what we can do better.

Considerately yours,
Martin Zmelik

Country Manager
CEZ Group in Romania

Member in the Management Board of
Distribuție Energie Oltenia

CHAPTER 1

Goals for a sustainable development





After 12 years of constant evolution, Distribuție Energie Oltenia (further on referred to as Distribuție Oltenia) expects its development in Romania to be a sustainable process, with positive economic, social and environmental impact. For a long-term sustainable development, we have set for ourselves and we continue to pursue the following performance goals:

Area of performance	Performance goal(s)	Time frame	Measures in place for goal achievement	Results reached in 2016	Expected results beyond 2016
Energy distribution	Ensurance of operational excellency (Smart Transformation)	2016-2020	<ul style="list-style-type: none"> - Developing a smart metering system that leads to increased transparency towards customers and regulatory authorities; - Reducing energy loss by installing smart meters and MDM data management system; - Increasing the degree of automation of the Medium Voltage networks (and, implicitly, the improvement of distributed energy quality parameters) by installing remote controlled equipment; - Improving workforce management and reducing operational costs; - Establish a unified database system to provide a high-quality mix of information for service delivery improvement. 	<ul style="list-style-type: none"> - Following the implementation of pilot projects in 2013-2015, more than 34,000 consumers have had intelligent metering systems installed. In 2016, Distribuție Oltenia implemented a new "TLC broadband" technical solution for the benefit of 63 consumers; - The investments made in the operational area of Distribuție Oltenia (Argeş , Dolj, Gorj, Olt, Teleorman and Vâlcea counties) aimed to improve the quality parameters of the SAIFI / SAIDI in the medium voltage network, by extending the SCADA system - remote central equipment, upgrading of medium voltage power lines and ensuring conditions for new users' connection to the power grid, as per new legislation; - The most important investments made in 2016 were the following: <ul style="list-style-type: none"> • Upgrading the grids of 6 kV to 20 kV in Craiova city – 4514 thousand RON; • Works for "Modernization of transforming posts and mounting of new transformers to reduce Own Technological Consumption" in counties Vâlcea , Dolj, Gorj, Argeş, Olt, Mehedinți and Gorj – 7515 thousand RON; • Works of modernization of the LV overhead lines and connections and modernization of other connections to reduce own no-technological consumption – 16665 thousand RON; • Integration in SCADA of the stations of 110/20 kV and 20/6 kV: Mioveni, Târgu Jiu Sud, Balcesti, Drăgănești - Vlasca, Țicleni 2, Parângu, Peșteana, Cărbunești, Seciuri, Schitu Golești, IMM Cămpulung – 26460 thousand RON. <p><i>The results on energy loss reduction and improvement of quality parameters are further detailed down below.</i></p>	<ul style="list-style-type: none"> - Disbursement of an own investment of over 95 million Euro by 2020 - for the year 2018, the value of investments budgeted by Distribuție Oltenia in it's operational area amounted to 180,797 million RON investment expenditure (CAPEX) and 181.987 million RON, for putting into operation (PIF); - Modernization and integration into the SCADA system of the following 110/20 kV Transformer Stations: <ul style="list-style-type: none"> • Azot, Turnu Măgurele municipality, Teleorman county; • Magura, Turnu Măgurele municipality, Teleorman county; • Olt, Turnu Măgurele municipality, Teleorman county; • Sybetra, Turnu Măgurele municipality, Teleorman county; • Vedea, Alexandria municipality, Teleorman county; • Viisoara, Viisoara municipality, Teleorman county; - Continuation of the works started in 2017 for the construction of a new 110/20 kV transformer station located in the Eastern Industrial Area of Craiova; - Extension of the SCADA system by installing a number of 130 remote-controlled equipments in 20 kV LEA belonging to D.E. Oltenia; - Integration into SCADA system approx. 29 110 / MT transformation stations or a total of 550 reclosers on the MT lines by 2020; - Extending the number of beneficiaries of intelligent metering systems to approximately 425,850 consumers in the period 2017-2020; - Conduct investment works (extensions/ electrification and reinforcement works upstream de connection point) to ensure proper conditions for new users' connection to the power grid, as per the new legislation; - Piloting a Mobile Work Management (MWM) project in Olt County in 2017 and expanding it in 2018-2020 throughout the operating area to automate workflows and reduce time spent in solving unproductive tasks; - Improve the maintenance and management of the work force with an allocated budget of 4.3 million RON.



Area of performance	Performance goal(s)	Time frame	Measures in place for goal achievement	Results reached in 2016	Expected results beyond 2016
	Reduction of energy losses (CPT)	2016-2020	<ul style="list-style-type: none"> - Progressive Reduction of Own Technological Consumption (CPT), technical and non-technical; - Modernization / upgrading of the distribution network, especially the Low Voltage one; - Securing the bundles and removing them to the property limit. 	<ul style="list-style-type: none"> - In 2016, the technical CPT fell to 8.66% from 8.91% (2015), and the non-technical one dropped from 1.72% (in 2015) to 1.54%; - Total network losses have reached a historical minimum: 999.4 GWh (10.20%), of which: <ul style="list-style-type: none"> • 848.8 GWh, representing 84.9% of the total CPT; • 150.6 GWh, representing 15.1% of total commercial CPT. - In Low Voltage networks, the share of losses exceeded the limits imposed by ANRE with approx. 1.44%; thereby, most of the investments for modernization / refurbishment have been and will be concentrated at this level. 	<ul style="list-style-type: none"> - Reduction of energy losses at 976,3 GWh (max.10,26%), out of which: <ul style="list-style-type: none"> • 849.5 GWh, accounting for 87% of the total CPT; • 126.9 GWh, representing 13% of the total CPT. - Making investments to reduce CPT worth 27.9 million RON in 2018, out of which: <ul style="list-style-type: none"> • 5,1 million RON allocated for works to reduce non-technical (commercial) CPT; • 22.8 million RON allocated for works to reduce technical CPT. - Developing new projects, starting with 2017, to better predict network losses. reducing commercial CPT losses and technical CPT; - Introduction of energy-efficient technologies, modern measurement and control systems for distributed energy, continuous evaluation of energy efficiency and energy consumption.
	Improvement of quality indicators (SAIDI, SAIFI)	2016-2020	<ul style="list-style-type: none"> - Reducing the duration and frequency of power interruptions by increasing the rate of timely reactions and incident resolution; - Aligning with the indicators imposed by ANRE; - Making investments in modernization works with impact on quality indicators; 	<ul style="list-style-type: none"> - The duration (SAIDI) and the frequency (SAIFI) of electricity interruption in 2016 were less than half compared to 2012. Thus, in 2016, the quality indicators recorded the following values: <ul style="list-style-type: none"> • total SAIFI: 4.59 no. interruptions / user, out of which: <ul style="list-style-type: none"> o SAIFI planned interruptions: 0.75 no. interruptions / user; o SAIFI unplanned interruptions: 3.84 no. interruptions / user. • total SAIDI: 527.5 minutes / user, out of which: <ul style="list-style-type: none"> o SAIDI planned interruptions: 197.5 minutes / user o SAIDI unplanned interruptions: 330 minutes per user. - The Quality Standards Compliance Project (Stage I) was started, pursuing the alignment with quality indicators imposed by ANRE Order No. 11/2016. 	<ul style="list-style-type: none"> Continuous and progressive reduction of the duration and frequency of interruptions: <ul style="list-style-type: none"> • ensuring a total SAIFI for 2018 of 4.12 no. interruptions / user, out of which: <ul style="list-style-type: none"> o SAIFI planned interruptions 0.72 no. interruptions / user; o SAIFI unplanned interruptions 3.40 no. interruptions / user; • ensuring a total SAIDI for the year 2018 of 463 minutes per user, out of which: <ul style="list-style-type: none"> o SAIDI scheduled interruptions 183 minutes / user; o SAIDI unplanned interruptions 280 minutes / user. - Continue investment in modernization works with impact on quality indicators (upgrading LEA MV, extending the SCADA system by installing remotely controlled equipment) - the budget allocated to the 2018 investment program for SAIFI / SAIDI reduction is 7.8 million RON; - Continue the Quality Standards Compliance Project (Stage II) by aligning with the quality indicators imposed by ANRE starting with January 1, 2019.



Area of performance	Performance goal(s)	Time frame	Measures in place for goal achievement	Results reached in 2016	Expected results beyond 2016
	Increasing the capacity of the employees to operate the power grid, safely and with high professionalism	2016-2018	<ul style="list-style-type: none"> - Reducing the number of incidents and accidents at work; - Monitoring the employees' health status, identifying and eliminating high and specific occupational risks, correctly identifying the work load, tracking the correct completion of working formalities; - Providing instructions and protective equipment that allow works in LV network in order to improve SAIDI / SAIFI and increase customers' level of comfort; - Obtaining the appropriate certificates for LST instructions and carrying out works at Low Voltage; - Acquiring certified devices and equipments for the safe operation of the power grid; - Complying with legal requirements and other Occupational Health and Safety (OHS) regulations to which the organization subscribes; - Increasing the effectiveness of existing programs in the field of Health and Safety at Work; - Defining and implementing a specific training program for the operation of works on LV networks; - Defining and implementing a new way of training: "learning by doing". 	<ul style="list-style-type: none"> - 0 work accidents; - Protective equipment is available in 100%; - 75% of the employees undergoing the OHS authorization process received 7 + grades; - 70% of the employees trained on OHS (about 960 people) received 8+ marks when tested; - Certified devices and equipment have been purchased for safe operation of the power grid, with active voltage; - DISTRIBUTIE OLTENIA has obtained the validation for 11 Instructions for Works under Tension (LST), for operating on Low Voltage in niches, distribution boxes and Classical and Torsaded Low Voltage (LV) networks; - The certified instructions are prepared for troubleshooting, restoring electrical contacts, connecting/disconnecting conductors, as well as for equipment replacement (LF socket, MPR support, circuit breaker); - The instruction on performing deforestation under active LV networks has been prepared; - A training program on work execution under voltage has been defined. 	<ul style="list-style-type: none"> - 0 work accidents; - Maintaining the results already obtained by the employees in OHS training and testing; - Establishing a central training center that will include training polygon for Medium Voltage (MV) - High Voltage (HV), 110 kV, PRAM, simulator for operational control, measuring stand; - Training of specialists on the work execution under voltage; - Validation of the instruction on performing deforestation around LV networks.



Area of performance	Performance goal(s)	Time frame	Measures in place for goal achievement	Results reached in 2016	Expected results beyond 2016
Human resources	Employee skills growth	2016	<p>- Increasing the value/amount of training programs</p> <p>- Increasing the percentage of professional training of total training</p>	<p>- In 2016, within Distribuție Oltenia, the total value of the professional training programs increased by about 8.4%, which meant an increase of the budget from 652,968 RON (in 2015) to 707,950 RON (in 2016).</p> <p>- At a stage of digital development, we aim to increase the skills of our employees, focusing on professional skills both in the energy field, for the efficient use of equipment, but also in other areas such as IT, sales, etc.</p> <p>- Of the total training, about 67% represents professional training, while 33% represents other training programs (soft skills, legal obligations, authorizations, etc.);</p> <p>- In 2016 intensive training programs were set up for the development of professional technical skills (theoretical, but especially practical), organized with the equipment suppliers in our field of activity.</p>	<p>- Sizing training programs to meet operational needs.</p> <p>- Keeping the weight of professional training.</p>
	Initiating training programs that respond to the local management consolidation philosophy	2016-2017	<p>- Implementing the Academia program in order to:</p> <ul style="list-style-type: none"> • Improve employee management and leadership abilities; • Increase performance and motivating among employees with a positive impact on organizational culture; • Increase engagement and individual responsibility. 	<p>- 24 employees were selected;</p> <p>- Feedback 360° initial;</p> <p>- Module 1 was completed with workshops on communication and leadership issues.</p>	<p>In 2017:</p> <ul style="list-style-type: none"> • continuation of the project with modules 2 and 3 focused on people leadership, motivation, performance and strategy; • 360° final feedback; • results presentation. <p>Long-term:</p> <ul style="list-style-type: none"> • Direct, hands-on business experience with access to best corporate practices; • More responsibility for personal development and change; • Culture of feedback; • An informal framework for relationship; • A common business language.



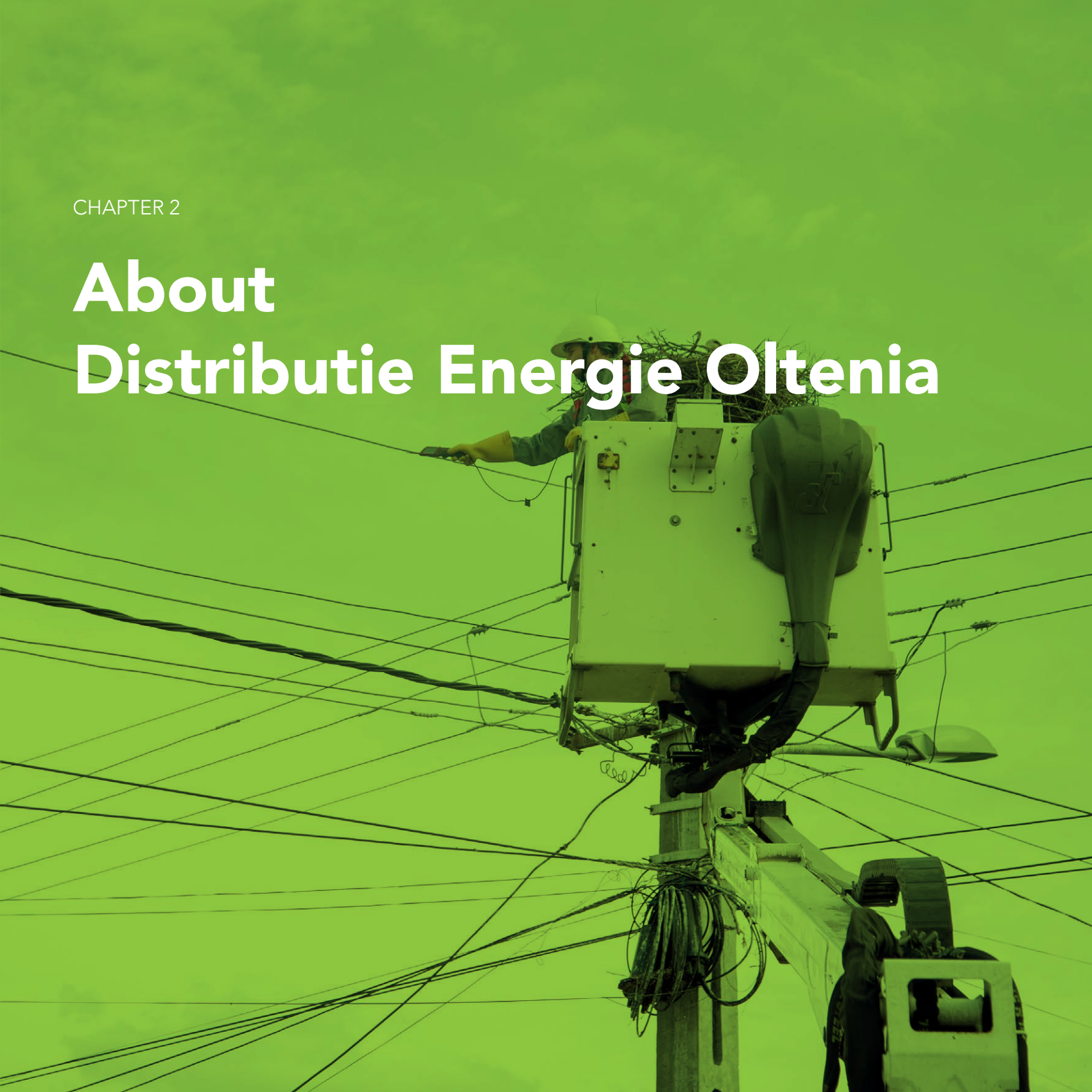
Area of performance	Performance goal(s)	Time frame	Measures in place for goal achievement	Results reached in 2016	Expected results beyond 2016
Clients	Retention of existing clients in the operating area and attraction of new clients	2016-2020	- Constantly improving the quality of services and products.	<p>In 2016, across the 16 Client Relations Centers (CRCs) in the operating area, a complex system of quality assurance was implemented, through which:</p> <ul style="list-style-type: none"> • Employee interaction with customers got governed by a Customer Rights and Code of Conduct, along with a Decalogue of Promises towards the client; • Clients have access to over 10 channels of communication, online and offline, particularly efficient as response rate - i.e. 80% of clients are picked up in less than 20 minutes in CRCs; 80% of calls are taken-up in less than 45 seconds; average response time of 3.5 minutes to answer questions about energy services; • New technologies have been installed in CRCs (pre-filled forms scanning software, call-back for telephone lines, website and telephone application to announce troubleshooting, interactive troubleshooting map) in order to reduce the processing time of requests received in front office/back office and to increase customers' satisfaction. <p>- 2016 brand studies show that:</p> <ul style="list-style-type: none"> • More than 50% of customers are satisfied with the quality of the services and products offered; • More than 30% of clients consider DEO's employees to be highly skilled; • More than 70% of the respondents were satisfied with the fact that specialists working in Client Relation Centers recommended them the most appropriate tariff plans. 	Maintaining standards of service quality.



Area of performance	Performance goal(s)	Time frame	Measures in place for goal achievement	Results reached in 2016	Expected results beyond 2016
Environment	Protection of biodiversity	2017-2020	<ul style="list-style-type: none"> - Monitoring of eco-systems in the operating area; - Investments in biodiversity protection projects. 	<ul style="list-style-type: none"> - Terrain was restored in the areas affected by investment / modernization works; - 82 stork nests were mounted on MV pylons in Mehedinți, Argeș, Dolj, Teleorman, and Vâlcea counties. 	<p>Maintaining standards of service quality.</p> <ul style="list-style-type: none"> - Submission of a LIFE project to obtain European funds in the amount of EUR 4 million in order to: <ul style="list-style-type: none"> • Reduce the collision rate with the electric lines of protected bird species by up to 90%; • Reduce the rate of electrocution of protected bird species by up to 80%; • Increase the population of protected birds; • Mount indicators on the 110 kV LEA; • Install insulating sheaths on the LEA MT; • Install artificial nests; • Replace poles with bird friendly poles; • Paint mark the 110 kV poles.
	Improvement of environmental performance	2016-2018	<ul style="list-style-type: none"> - Compliance with legal environmental requirements; - Reducing the consumption of energy and natural resources; - Align to international environmental standards; - Sustainable management of renewable energy sources. 	<ul style="list-style-type: none"> - Waste resulting from the activities are managed according to the environmental legislation and the operational procedures in force; - Equipment is regularly maintained to avoid accidental pollution; - Water management authorizations for water supply sources in transformation stations (50 different locations) have been maintained; - 3 inactive power distribution facilities were decommissioned and the land was brought to the initial state; - A permanent stock of 100% biodegradable absorbent material has been maintained for all transformer stations; - Distribuție Oltenia has implemented and certified an Environmental Management System according to ISO 14001: 2004; - An account has been earmarked for spending on environmental protection and it is being funded each year. In 2016, the environmental expenditures of Distribuție Oltenia amounted to 890,846 RON. 	<ul style="list-style-type: none"> - Compliance with environmental legislation and operational procedures in force; - Alignment of Distribuție Oltenia to the SR EN ISO 14001: 2015 standard.

CHAPTER 2

About Distributie Energie Oltenia





Briefly, our story

- G4-3** CEZ Distribuție SA (currently Distribuție Energie Oltenia or, to be more succinct, Distribuție Oltenia) is the legal successor of Electrica Oltenia SA., a company which was completely taken over in 2005 by CEZ Group in Romania. Ever since its establishment, the company acted exclusively as an electric power distributor, in its position of asset owner, following the separation of activities imposed by the European legal requirements (the unbundling procedure).
- In 2017, CEZ Distribuție SA became Distribuție Oltenia SA in order to meet the provisions of the Energy Law no. 123/2012 and ANRE Order no. 5/2015 regarding the identity differentiation of a distribution operator from an energy supplier in a determined area of operation. Further on, to strengthen the appropriation of the company's new identity by our public, throughout the entire publication, we will refer to CEZ Distribuție SA as Distribuție Oltenia.
- G4-6** Before the separation of activities, as part of CEZ Group in Romania, CEZ Distribuție was coupled to a multinational environment (more than 137 companies from 10 different countries were also members in the Group), and thus had a strong foundation of expertise and performance to build upon for its development in Romania.



About Distribuție Oltenia, in detail

Distribuție Oltenia distributes electricity to households and industrial consumers from seven counties in the southern part of Romania, namely: Argeș, Dolj, Gorj, Mehedinți, Olt, Vâlcea and Teleorman.

In 2016, the company has distributed energy to 1,427,035 Romanian consumption places and was prompt in meeting end users' needs, whether this meant connecting them to the power grid, reading or replacing their energy meters, or giving them information regarding to continuous energy supply.

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The quality of the services offered by Distribuție Oltenia to its consumers is guaranteed by the efficiency of its more than 1220 employees who operate a vast network – 54 890 km of power lines for energy transmission and distribution, 143 110 kV/mt conversion stations, 60 MT/JT transformation stations, 81 points of supply and 10 288 transformation posts.

EU-1

EU-4

Company, Juridical form	Geographic area	Social Head-Quarters	Roles inside the Group	Key products	Number of employees in 2016	Consumers served in 2016
Distribuție Oltenia S.A.	7 counties: Argeș, Dolj, Gorj, Mehedinți, Olt, Vâlcea, Teleorman	Calea Severinului no. 97, ground floor, levels 2-4, Craiova, Dolj County	Distributes electric power in its operational area, serving households and industrial consumers who have concluded energy supply contracts with licensed suppliers.	<ul style="list-style-type: none"> • Connection to the power grid • Electricity distribution, operation, maintenance and development of the electrical network • Reading and managing energy measurements. 	1 228	1 427 035

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G4-5

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G4-8

G4-9

EU-3



Distribuție Oltenia, through the lens of its results

In 2016, the company has significantly improved its service quality by fulfilling the investment plan in the Low Voltage (JT), Medium Voltage (MT) and High Voltage (HT) grids, reducing the duration and frequency of interruptions in power supply (SAIDI and SAIFI) and improving the network operation with minimal losses.

Due to these investments, at the end of 2016, the company recorded the following economic and financial results:

EU-2

	UM	Results
Volume of energy circulated in the distribution network	MWh	9 799 919
Electric power distributed to the final clients	MWh	6 381 036
Net turnover	RON	Approx. 787 176 000
Total revenues	RON	824 402 308
Total expenses	RON	800 080 116
Gross profit	RON	24 322 192
Tax on profit	RON	Approx. 15 948 000
Net profit	RON	Aprox. 8 374 000
Investments in the modernization of the distribution network	RON	1 198 941 334
Investments in CSR programs	RON	Approx. 628 000
Number of employees at the end of 2016	persons	1228

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2016 - the year of good investments

For Distribuție Oltenia, 2016 was a year of investments in developing and upgrading its own capacity to distribute energy to end consumers and to prepare the younger generation of future electricians.

Among the most important investments and results obtained during the year we can refer to the following:

- Modernization of transformation stations and replacement of old transformers with modern ones, of superior characteristics, in all seven counties in the operating area;
- Completing the integration works in SCADA in 11 transformation stations of 110/20 kV and 20/6 kV;
- Development of automation systems for the operation of the medium voltage network by installing 120 remote-controlled systems in the air networks;
- Implementing pilot projects of smart metering;
- Increasing the distribution capacity by replacing the 6-kV urban network with a 20-kV underground network in Craiova municipality, with integration into SCADA;
- Modernization of low-voltage networks and replacement of connection installations in several municipalities in the operating area;

- Development of new distribution capacities (new transformation stations, expansions and reinforcements of the medium and low voltage network);
- Improvement of overall grid efficiency by mitigating energy losses;
- Supporting the vocational training of 48 pupils enrolled in the electrical engineering classes within the Technical College of Craiova and Astra High School in Pitești - the company invested over 30,000 EUR in the development and endowment of 2 electrical laboratories, face-to-face delivery of technical presentations in schools, field study visits and monthly performance scholarships for the top 5 students in each class.



Recognition and awards

In November 2016, on behalf of the Chamber of Commerce and Industry of Dolj County, Distribuție Oltenia obtained the first prize at the category "Very big companies from the energy distribution sector" and the Trophy of Excellency for consecutive ranking among top companies for 5 years in a row.

Distribuție Oltenia also received the 1st Prize for the "Energy Efficiency Program of the Year" at the Gala "Romanian Energy Awards" and the "Energy Initiative of the Year" title, within the same Gala, for the SMART Transformation project.

The future we aim to resides on the present we build

Mission:

Our mission is to protect and develop our clients' energy through intelligent, safe electric power products and services, in conditions of cost efficiency, quality and durability.

Vision:

On the long-term, the vision of Distribuție Oltenia is to become a modern company, prompt in meeting the technical development from the sector of energy distribution and innovating in meeting its clients' needs.

We tend to be an intelligent and modern company which responds to clients' current and future needs by offering them services of high performance and quality, while protecting their

interests on the energy market.

We use our experience and know-how at European level to innovate and sustain the energy market and to contribute to the general improvement of life quality in the areas where we operate. We believe in long-term development and we are a partner of the communities where we work.

To fulfil its vision, Distribuție Oltenia makes permanent investments in network modernization, improves the safety level of electricity distribution and reduces energy losses. In this way, Distribuție Oltenia ensures access to a reliable network with reduced costs for maintenance and repairing.



Shareholders and governance structure

Distribuție Oltenia is a share-holding company, administered in a two-tier system, which resulted from the unbundling of SC Electrica Oltenia SA. Distribuție Oltenia is subject to the same legal regulations and norms like any other operator of electric power distribution

and its activity is set on regulatory basis by the Romanian Energy Regulatory Authority.

The structure of the company's management board and shareholders on December 31st, 2015, and in 2016 was the following:

Company	Juridical form	Management Board	Shareholders	
			CEZ, a.s.	CEZ Poland Distribution B.V
Distribuție Energie Oltenia S.A.	Shareholding company	Ion Dobrescu – Chairman Martin Zmelik Doina Vornicu Eugen Butoarcă Cristinel Tiță	99,99999861%	0,00000139%

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Shareholders and governance structure

Distribuție Oltenia has the honour to be an active member of the Federation of Associations of Energy Utilities Companies (ACUE). This is an employers' organization and it represents the interests of some of the most important companies in the field of electric power and natural gas generation, distribution and supply, as well as of services connected to such activities.

ACUE is also a member of the Economic and Social Council (CES) of Romania, a national, tripartite public institution of public interest,

established for the purpose of enabling the dialogue between employers' organizations, trade unions and representatives of non-governmental associations and foundations of civil society (Law No 248/2013). By virtue of the existing membership, when requested, Distribuție Oltenia was able to bring its contribution to the drafting of opinions on legislative proposals that were put to public debate in 2016. The full list of these opinions sent by ACUE can be found online at: <http://www.ces.ro/avize-ces/ro/26>.

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CHAPTER 3

Our first sustainability report





Non-financial reporting

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In the context of an European Union ever more concerned to reach its long-lasting development targets (i.e. Europe 2020 Strategy) and considering the favourable moment created by the transposition in about 30 states of the European Directive 2014/95 regarding the disclosure of non-financial and diversity information, the sustainability reports have done more than to confirm their necessity – they have become instruments for planning an efficient market functioning, strengthening the economy both at European and at national level.

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Even more, sustainability reporting, based on the use of the internationally-recognised frameworks, has become necessary to increase the level of comparison and transparency among companies, as well as to signal where they stand in regards to the international community's pledge to provide a long-lasting future for the society and for the planet.

Distribuție Oltenia wants its development in Romania to contribute to such a future and to represent a sustainable process with positive impact on the economy, environment and local communities. Equally, we want this process of development to be a transparent and measurable one and, to this end, we intend to report the results of our companies in the sector of sustainability on a yearly basis.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines, Core option, to openly reflect over the way in which we secured electrical power distribution and over the impact we had in our area of operations, in all 3 domains: economic, social and environmental.



The sustainability context

The Romanian energy sector is about to complete its transition from an almost closed economic structure, isolated by the neighbouring power grids, to an open structure, well-connected across borders, with network codes harmonized at regional and European level and with well coupled markets (starting from 2014, the day-ahead market – PZU – functions in coupled regime with the markets from the Czech Republic, Slovakia and Hungary). This transition was appropriated by Romania through article no. 194 of EU Functioning Treaty as well as through numerous other directives, rules and strategic documents which established the community acquis in the sector of energy. The main coordinates of the development context of the energy sector in Romania, as set out below, have as reference/source the “Energy Strategy of Romania, 2016-2030, with the perspective of 2050”, produced by the Ministry of Energy and published in December 2016.

The evolution of the legislative framework

The main regulatory authorities in the energy sector are: Romanian Energy Regulatory Authority (ANRE), The National Regulatory Authority for Public Utility Communitarian Services (ANRSC), The Ministry of Economy, The

Ministry for Business Environment, The Ministry of Energy and The Competition Council. Through these authorities, the Romanian state reserves its functions to set on regulatory basis and implement the energy-linked policies, while also being the owner of assets in this sector, both in the energy transmission and distribution fields, as in its generation and supply.

2016 was characterised by the issuance and implementation of the rules which were necessary for the functioning of the energy sector in terms of efficiency, competitiveness, transparency and consumer protection.

Thus, frame-agreements were approved for the electricity supply to the clients who are beneficiaries of the universal service, together with a single invoice form at country level. Performance standards were introduced for the distribution and supply services, establishing the level of compensations offered to clients. A specific procedure has been approved for the investigation and resolution of complaints, with strict provisions for suppliers and for network operators. The methodology on how to establish prices for the electrical power distribution services has eliminated the limit of percentage reduction in tariffs, continuing to set limits only for their growth. The investments



recognition in tariffs is more restrictive. An important modification of regulations was in the way of considering the electricity thefts, the new rule (Order 121/2015) significantly reducing the possibility to fight against this phenomenon.

The electrical power and natural gas market

Starting from July 2007, the electrical power market has been completely open. Five of the eight distribution/supply companies from Romania have been privatized. The power generation sector is still almost integrally owned by the state, with the exception of the investments made in renewable energies (with notable results in CEZ Wind Farms from Fântânele–Cogealac and Grădina, having a 600 MW total installed capacity at the end of the year 2012), ENEL's wind farms and gas-firing power plant with combined cycle of 800MW. The former Electrica Oltenia SA participated in the Romanian market of electrical power both as a distributor and as a supplier of electricity, qualities which were attested by the License no. 457/29.04.2002 for electrical power distribution, respectively License no. 458/29.04.2002 for electrical power supply, both issued by ANRE. From March 15th, 2007, due to the process of unbundling, the company was legally separated in CEZ Distribuție SA (now Distribuție Energie Oltenia) and CEZ Vânzare SA, the licenses being modified accordingly: License no. 457/2005 for distribution and License no. 776/15.03.2007 for supply, modified by ANRE Decision no.

2007/03.09.2009.

The natural gas market presents a high degree of concentration on the segments of production and imports. In 2015, the dominant gas producers in Romania, namely Romgaz and OMV Petrom, covered almost 95% of the production and the first 3 importers cumulated almost 95% of imports, representing less than 2.5% of the consumption. On the competition-set market for supply, 74 companies operated in 2015, the first three of them having a market share of around 65%. The measures taken by ANRE to license more natural gas producers and importers as well as the enactment of producers' obligation to trade part of the natural gas volumes on the centralized markets led to the creation of a more competitive market.

Primary sources of energy

With an industrial tradition of over 150 years in the extraction of oil and natural gas, Romania remains the main producer of hydrocarbons in South-Eastern Europe, though its annual production has reduced by 5% in the last 5 years, due to lower investments and the natural decline of the reservoirs (resources are to be depleted in 12-15 years).

The rate of natural gas is of approximately 30% in the domestic consumption of primary resources due to their high availability, low



impact on the environment and the existence of a good infrastructure for extraction, transport, storage and distribution. In 2015, the natural gas production exceeded 95% of the consumption demand and probably the gas offer will remain in excess if the global context is considered, which is expected to lead to lower prices and maintenance and an uphold of the competitive advantage of local production. The National Transport System (SNT), operated by Transgaz SA, was built in 1960 for a three times bigger consumption than the current one, which generates high costs for using the infrastructure, costs which are reflected in the gas final price.

The renewable sources of energy (water, sun, wind and photovoltaic power; biomass; geothermal power) are rich and diversified, and they can be exploited at a large scale, especially using the new generations of equipment and installations. Though the hydro-power potential is used to a considerable extent, the units existing along the river banks can be extended or refurbished.

The exploitation of the wind and photovoltaic potential has rapidly developed in the recent years, but it is expected to stagnate in the next decade. The wind and photovoltaic capacities of approximately 4500 MW, developed in Romania in the period 2011-2016, allowed our country to reach its target related to the reduction of GES emissions for 2010 and to lower the average wholesale price for electrical power. Still, the intermittence of wind and

photovoltaic energy generated difficulties of integrating this energy into the National Energy System and was reflected in the cost paid by the final consumers. Also, the repeated modifications to the scheme aiding the SRE technologies through green certificates affected the predictability and functioning of the industry.

Biomass, the geothermal resources and sun power are only marginally used in Romania; their usage is expected to become sustainable only in the next decades.

Electrical power generation

The structure of electrical power generation in 2016 was as follows: 29% hydro, 25% coal, 18% nuclear, 15% natural gas, 10% wind, 2% photovoltaic and 1% biomass. Approximately 42% of the electricity mix is formed of renewable energy, 60% is without greenhouse gas emissions and 75% has low CO₂ emissions. The intensity of CO₂ emissions per unit of generated electric energy is close to the average level in Europe, namely approximately 300g CO₂/kWh.

The quota of electrical energy generated out of renewable sources which is supported with the promotion system based on green certificates for 2016 was set with the Government Resolution no. 1.015/2015 at a value of 12.15% of the final gross electrical power consumption, still below the level needed for the absorption



of all GC issued by the RES producers. As a consequence, green certificates were traded in 2016 at the minimum legal value set by ANRE.

The energy consumption

Based on the data from the Ministry of Energy, Romania had in 2016 an average hourly consumption of electrical power of 6500 MWh, with variations between approximately 4200 MWh and 9600 MWh. In 2016, the total consumption of electrical power followed the downward trend registered since 1990. In the first 10 months of 2016, the final consumption of energy per capita was of 2430 kWh/year, and the average price for the household consumers was 6th lowest one in the EU (as per the EUROSTAT data). However, considering the low power of purchase, the supportability of the price continues to be a problem and the energy poverty to record still a high level (100,000 homes still not connected to the electrical power network in 2016).

Based on the projects for the 2030 horizon (Romania's Energy Strategy for 2016-2030), it is expected to see an increase of the average consumption by approximately 20%. Until 2030, the old capacities will be retreated which means the installation of new capacities is needed, with higher global efficiency and an ability to comply with the conditions imposed by the grid code and the subsequent regulations at European level.

Energy price and its accessibility

According to PRIMES projections from the Reference Scenario made for the EC (July 2016), the wholesale price is estimated to grow from the currently low level, of approximately 30 €/MWh, to an average level between 65 and 85 €/MWh for the 2030-2050 period. The grid tariffs, taxes and excises will add to the electrical power wholesale price, according to the type of consumer and the consumption range. Still, for the period 2017-2020, the electrical power price is expected to remain at a fairly low level.

The long-term growth of the electrical power price happens in the general context of the European Union, with Romania still remaining among the member states with the lowest prices for electrical power, significantly lower than the European average. The latest Eurostat data (2016) point to the fact that in 2015, Romania had the lowest price of natural gas for household consumers in Europe, namely of 34 €/MWh, followed by Estonia (38 €/MWh) and Bulgaria (39 €/MWh). For the industrial consumers the lowest gas price in Europe in 2015 was in Belgium (29 €/MWh), followed by the Czech Republic (30 €/MWh) and Romania (31 €/MWh). At electric energy, in 2015, Romania had the 6th lowest average price in EU for the household consumers, of 132 €/MWh, after Bulgaria (96 €/MWh), Lithuania, the Czech Republic, Estonia and Croatia (131 €/MWh). For the industrial consumption, Romania had the



third lowest price of electrical power, of 80 €/MWh, after Bulgaria and the Czech Republic (78 €/MWh), being followed by Croatia (93 €/MWh) and Estonia (96 €/MWh).

The price ratio between the electrical power and natural gas continues to be unfavourable to the former (natural gas being of up to 3 times cheaper for the household consumers); still, due to the higher standard of life, the electrical power consumption is expected to increase in new sectors, determined by e-mobility or by the introduction of new types of household items (air conditioners, electric ovens etc.).

The factors determining the final price evolution are capital costs (1) for investments in electrical power generation technologies, (2) costs with fuels, (3) modernization and refurbishment of the transport and distribution network and (4) costs with the certificates for gas emissions. At present, the electrical power producers are not profitable (total average cost of 114 €/MWh versus the final average price of 94 €/MWh), a situation that cannot last for long from now on.

Though the Romanian state has tried to maintain a low price for energy and for natural gas, so as to provide the consumers' social protection on one hand, and to uphold the international competitiveness of the Romanian-made products, the cost accessibility continues to be a challenge for the consumers, the purchase power being under the European

average - acc. Eurostat (2016), versus the parity of the purchase power, GDP per capita in Romania is of 57% from the EU average.

According to the calculations based on the definition used in Law 196/2016 regarding the minimum inclusion income, 40% of Romania's population is confronted to energy poverty. Of the almost 7.5 million dwellings in the 2015 in Romania, 4.3 million in urban area and 3.2 million in rural area, a considerable part are heated only partially: approximately 90% from those in the country side and almost 20% of those in cities. Especially for the urban area, the partial heating of the home is linked to the incapacity of families to provide the necessary level of thermal comfort for them, which is correlated with the low revenues available for invoice payment. The net monthly average income per capita in 2015 was of 1011 RON (1190 RON in urban area and 802 RON in rural area), based on statistics from INS (2016). The expenses with energy, on the other hand, represent 15% of the net average income per family (14% in the city and 18% in the country side).

Based on the directives from the Third Package of Reforms on the European Energy Market (CE 2009c and CE 2009d), the Member States have the obligation "to take adequate measures for the protection of the final consumers and, especially, of the vulnerable one". To provide a real protection of the consumers, "Romania



must participate to liquid and competitive markets, de-monopolized and transparent ones, with equitable and steady regulations. It is the only way to secure the ample financial resources necessary to the energy sector in the next decades, as well as for the domains of the primary energy processing industries. In this way, the energy consumer will benefit of the best energy price, no matter if it comes from domestic sources or from import” (Romania’s Strategy on Energy, 2016-2030).

Sustainable development of the energy sector

The transition in the Romanian power sector is a complex process, strongly influenced by the changes happening in the entire European Union, determined by the member states’ effort to reach energetic efficiency and provide equitable energy to the consumer.

To stimulate this transition, the European Commission has issued the Directive regarding the energy from renewable sources (2009), already implemented by most of EU member states. Later on (fall of 2016), this Directive laid the grounds for a new legislative package, “Green energy for all Europeans”.

Since the Directive for energy from renewable sources came in force (adopted in 2009), most of the member states have made considerable progress in the fulfilment of their goals for the 2020 horizon, both in relation to the rate of

electricity generated from renewable sources (the target was of at least 20% of total energy generated – a goal reached including by Romania), as well as in regards to the reduction of the administrative barriers to the exploitation of renewable sources.

The European Commission’s Report regarding the progress made in the sector of energy generated from renewable sources (issued on 2nd February, 2017) points to the fact that a large majority of the EU member states implemented the 6 measures recommended for the development of the sector, namely: unique counter for the authorization of renewables exploitation, online form for request of authorization, automatic authorization after the deadline, simplified procedures for the small producers, mapping of geographic areas eligible for the implementation of the green energy projects. Unfortunately, of the list of 28 countries, Romania is the penultimate one in terms of performance in the implementation of the simplified administrative procedures, with only one measure set in place –clear maximum deadlines for procedures.

The new legislative package “Clean energy for all Europeans” is focused on energy efficiency and performance, the organization of the electrical power market, the security of electrical power supply, as well as governance rules for the Energy Union. According to this legislative package, by 2030, the European states have



new targets to reach in relation to the ensurance of energy efficiency based on the exploitation of renewable sources:

- 30% of total energy generated by each state will be covered from these sources;
- the volume of energy sold to the final consumers will reach a 15% saving threshold.

Moreover, the EU member states are encouraged to apply the following measures in order to grow their performance in relation with the 2030 horizon:

- To use smart technologies to increase the energy efficiency of households and measure their capacity of interacting with the power network and with their own inhabitants, based on a specific indicator ("smartness indicator");
- To promote e-mobility by growing the number of re-charging stations for electric cars;
- To adopt and to implement new plans of eco-design and energy labelling, etc.

Reaching these targets and implementing the recommended measures requires real political commitment, at all levels and in all member states, through:

- expansion and improvement of existing policies;
- improvement of financing conditions for the energy efficiency projects (ex. through the implementation of the "SMART financing for

SMART buildings" initiative);

- improvement of coordination and cooperation at all levels (among stakeholders, among sectors etc.);
- expansion and consolidation of the minimum requirements regarding energy efficiency of products, vehicles and buildings;
- informing and keeping consumers involved in the process of transformation of the energy sector.



Our first sustainability report/2016

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This report reflects the activity performed by the company Distribuție Oltenia in 2016. The report does not present the activity of the other companies of CEZ Group in Romania (namely CEZ Romania, CEZ Vanzare, Tomis Team, MW TeamInvest, TMK HydroEnergy Power and Ovidiu Development), which make the object of a separate report.

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Preparation of the first sustainability report – materiality analysis

In preparing the report, we were guided by the following principles, as defined in the GRI G4 Guidelines:

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- Stakeholders' Inclusiveness - in the stage of stakeholders' identification, we included all parties which could be interested by the company's results in the domain of sustainability; all those considered as relevant for the process of materiality analysis were consulted as consequence;
- Materiality – this report presents the aspects which are the most relevant for our economical, social and environmental impact and which can influence the decisions or assessments of our partners;
- Sustainability context – the reported data has been analyzed in macro context;
- Completeness – the report presents all

those aspects whose impact was considered as relevant from an economical, social and environmental point of view; also, during data collection, we have permanently followed the principles for quality assurance: Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability.

The following sections will answer directly to the aspects which our stakeholders chose for being reported, when they were consulted in the stage of materiality analysis.

Identification and prioritization of stakeholders and of material aspects

Distribuție Oltenia has identified all parties which could have an interest in its non-financial reporting, starting from the inventory of day-by-day activities, inside the organization, and adding to these the social groups on whom the organization has an impact (local community, household clients etc).

The 31 categories of identified stakeholders were prioritized using the following criteria:

- Responsibility: those connected to the organization through contracts and/or juridical and financial policies, or operational rules;
- Influence: those empowered to determine if



the goals set by the company will be reached or not; this includes both formal influencers (decision-makers) and informal influencers, internal and external;

- Proximity: those on which the organization relies for the performance of its daily operations and those living close to the organization head-offices;
- Dependence: those who have the biggest dependence to the organization, the clients relying on the organization products or services,

or the suppliers for whom the organization is an important/major client;

- Representation: those representing key institutions with whom the company interacts, such as trade unions, community leaders, local politicians etc.

Following this prioritization, the following types of stakeholders were involved in the consultations with regards to the content of the sustainability report:

Internally	Externally
<ul style="list-style-type: none">- Employees,- Middle Management,- Top Management,- Representatives of trade unions.	<ul style="list-style-type: none">- Clients,- Central authorities (including Regulatory authorities),- Local authorities,- Suppliers,- Sub-contractors,- Investors,- Civil Society,- Mass media.

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The material aspects which were evaluated to establish the content of the sustainability report are those defined by GRI G4 Guidelines, in General Standard Disclosures, Specific Standard Disclosures and Electric Utilities Sector Disclosures, and the identification of these aspects followed this process:

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Identification	Prioritization	Validation (by consulting the interested parties)
<p>34 aspects from the economical sector (6), social (18) and of environment (10) were identified by the company as relevant for its activity.</p> <p>The aspects were extracted from the General Standard Disclosures, Specific Standard Disclosures and Electric Utilities Sector Disclosures and they were selected considering the principles of the Sustainability Context and Stakeholder Inclusiveness.</p>	<p>Following the analysis and prioritization of the 34 aspects, based on Stakeholder Inclusiveness and Materiality principles, 19 aspects were identified as relevant and have been proposed for evaluation during the stakeholder engagement, respectively:</p> <ol style="list-style-type: none"> 1. Economic Performance; 2. Presence on the market; 3. Procurement practices; 4. Availability and reliability; 5. System efficiency; 6. Energy; 7. Effluents and waste; 8. Compliance; 9. Overall; 10. Biodiversity; 11. Employment; 12. Occupational Health and Safety; 13. Training and Education; 14. Non-discrimination; 15. Anti-corruption; 16. Customer privacy; 17. Customer health and safety; 18. Local communities; 19. Access. 	<p>After the validation of the material aspects, based on stakeholder engagement and by defining the matrix of materiality, 17 of the aspects initially proposed by the company have been identified as being material and are included in the report:</p> <ol style="list-style-type: none"> 1. Procurement practices; 2. Availability and reliability; 3. System efficiency; 4. Energy; 5. Effluents and waste; 6. Compliance; 7. Overall; 8. Biodiversity; 9. Employment; 10. Occupational Health and Safety; 11. Training and Education; 12. Non-discrimination; 13. Anti-corruption; 14. Customer privacy; 15. Customer health and safety; 16. Local communities; 17. Access.

Stakeholder Engagement

The methods of consultation used during the validation of the material aspects were as follows:

- 17 meetings with the representatives of the local and central public authorities (Prefect, County Council and the City Hall) in the operational area - counties of Argeş , Gorj, Dolj,

Teleorman, Mehedinți and Olt;

- 8 focus groups with employees from the company who did not have electronic communication systems, from all operational area (the counties Argeş , Vâlcea , Gorj, Dolj, Teleorman, Mehedinți and Olt);
- Online sustainability survey – 1316 questionnaires were launched, 220 answers were received; the collected data offered us the



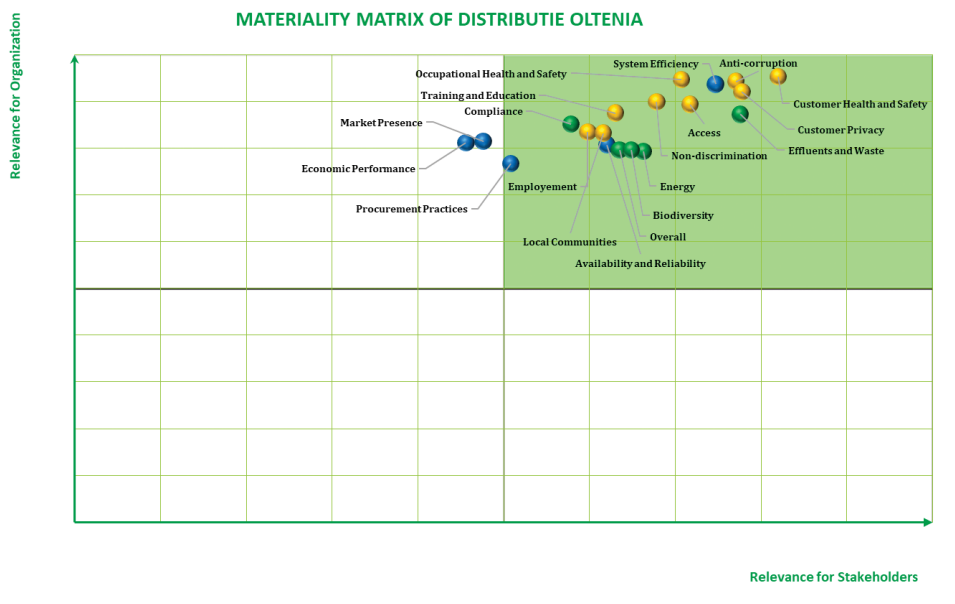
picture of the stakeholders' interest, both from inside and from outside the company, in relation with the aspects proposed by the organization as material for a sustainability report.

The whole consultative process had as a common vector the questionnaire on sustainability, an instrument developed by the project team, used both during the meetings with the authorities, and in the online campaign

for getting stakeholders' opinion. In the questionnaire, the stakeholders could assess the relevant aspects related to the sustainability report and they also suggested other aspects of direct interest for them.

The final result of the consultations was transposed into a matrix of materiality, presenting the relevance of each aspect both for the stakeholders and for the Company:

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Evaluation by the stakeholders of the material aspects

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ASPECT	Stakeholders' categories to whom the Aspect is very relevant
Procurement practices	Management
	Local community
	Representatives of local authorities
	Suppliers
Energy	Suppliers
	Representatives of local authorities
	Representatives of the central authorities
	Local community
	Mass media
Overall	Representatives of the Central Authorities
	Investors
	Representatives of local authorities
	Local community
Biodiversity	Representatives of the Central Authorities
	Investors
	Representatives of local authorities
	Local community
	Mass Media
Effluents and waste	Representatives of the Central Authorities
	Local community
	Mass Media
Compliance	Mass Media
	Representatives of central authorities
	Suppliers
Customer privacy	Management
	Representatives of local authorities
	Suppliers
	Local community
Customer health and safety	Representatives of the central authorities
	Management
	Suppliers
	Local community



ASPECT	Stakeholders' categories to whom the Aspect is very relevant
Anti-corruption	Management
	Representatives of the central authorities
	Local community
	Suppliers
Employment	Local community
	Suppliers
	Representatives of local authorities
Occupational Health and Safety	Management
	Employees
	Representatives of the central authorities
	Local community
Training and Education	Employees
	Management
	Representatives of the central authorities
	Local community
Local communities	Representatives of local authorities
	Suppliers
	Local community
Access	Employees
	Representatives of local authorities
	Suppliers
Energy availability and fiability	Customers
	Local community
	Representatives of local authorities
System Efficiency	Suppliers
	Investors
	Suppliers
	Management
	Representatives of the local authorities

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Boundaries of Material Aspects

The boundaries of the material aspects were set in compliance with the GRI standard, based on the following:

- Evaluation of the way in which stakeholders are involved (if they are informed about.../have the right of control over.../are directly affected by the analysed aspects);
- Evaluation of the impact's nature (if it is of juridical, financial, reputational or social nature).

The combined use of these criteria aided the identification of the boundaries and nature of the impact of each material aspect. After having analysed the material aspects, we have set the following limits inside and outside the organization:



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MATERIAL ASPECT	Boundaries of MATERIAL ASPECTS									
	Inside the Company			Outside the company						
	Employees	Management	Investors	Clients	Suppliers	Sub-contractors	Local authorities	Central authorities (regulatory)	Local communities	Mass Media
Procurement practices		1	2		2,3	2,3				
Energy	–	2,3	2		2	2				
Overall		2,3	2		2	2				
Biodiversity		2,3	2		2	2				
Effluents and waste		1,2,3	2		2	2				
Compliance		1,2,3,4	2		2	2				
Customer privacy	1	1,2,3	2	1,2,3	2	2				
Customer health and safety	1	1,2,3	2	1,2,3	2	2				
Anticorruption	1,2,3,4	1,2,3,4	2		2	2				
Non-discrimination	1,2,3,4	1,2,3,4	2		2	2				
Employment	1,2,3,4	1,2,3,4	2,4		2,3	2,3				
Occupational Health and Safety	1,2,3,4	1,2,3,4	2		2,3	2,3				
Training and Education	1,2,3	1,2,3,4	2		2,3	2,3				
Local communities	3,4	2,3,4	2,3	2,3			–		2,3	
Access	1,3	1,2,3	2	1,2,3	2,3	2,3	–		2,3	
Availability and reliability	2	1,2,3	2	1,2,3	2,3	2,3	–		2,3	
System efficiency	1,2,3	1,2,3	2	1,2,3	2,3	2,3			2,3	

Legend:

NATURE OF THE IMPACT: 1 - Legal, 2- Financial, 3 - Company image, 4 - Social relations inside the organization



Material aspects proposed by stakeholders

The sustainability questionnaire presented to the stakeholders during the meetings or in the online survey campaign also included 3 open questions, which offered the space to signal any other aspect considered as very important

by the person who answered the questions regarding the economic, social or environmental areas.

During the stakeholder involvement process, we have seen some special interest paid by our stakeholders to the following aspects:

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Internal stakeholders

Categories of aspects	Categories of stakeholders	Description of the aspect
Access to the distribution network	Company's employees	Proposals for investment in the modernization and expansion of the network to increase the quality of the service and reduce interruptions of energy supply.
Education and professional training	Company's employees	Stakeholders suggested the development by the company of some educational courses and professional trainings as well as of training programs dedicated to young persons so as to recruit the future specialists.
Employment	Company's employees	Proposal to improve salaries and perks offered by the company.
Operations implemented with/for local community	Company's employees	Proposals to involve the company in community actions, in the social field, through: <ul style="list-style-type: none"> • Investments in youth vocational education and training; • Investments in the modernization of medical units; • Programs to support network access for underprivileged clients; • Investments in placement centers; • Investments in sportive and artistic events.
	Company's employees	Proposals to involve the company in social and voluntary actions in the field of environmental protection: <ul style="list-style-type: none"> • Reforestation; • Protecting flora and fauna (mounting birds' poles on pillars).
Total weight of wastes	Company's employees	Proposals for the involvement of the company in projects of waste collection and their recycling.
Total weight of wastes	Company's employees	Proposals for the involvement of the company in projects for renewable energy: sun, wind and the use of electrical cars (charging stations).
Green Energy	Company's employees	Proposals for the involvement of the company in projects for renewable energy: sun, wind and the development of infrastructure for electrical cars (charging stations and 9 cars in the fleet).



External stakeholders

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Categories of aspects	Categories of stakeholders	Description of the aspect
Access to the distribution network	Clients Representatives of the local authorities Mass media	Proposals of investments in the modernization and expansion of the network in order to grow the distribution service quality and reduce interruptions of energy distribution.
Operations implemented with/for local community	Representatives of the local authorities Clients Mass media	Proposals to involve the company in community actions, in the social field, through: <ul style="list-style-type: none">• Investments in the modernization of medical units;• Supporting sportive and artistic events;• Supporting the development of local urban projects (arrangement of parks, green areas, playgrounds);• Investments in aiding local social projects.
Price affordability	Representatives of local authorities Clients Suppliers	Stakeholders' proposals regarding: <ul style="list-style-type: none">• Decreasing the energy price (including the administration and connection prices)• Simplification of invoices• Improvement of collaboration with suppliers
Communication with the clients	Clients Representatives of the local authorities Mass media	Proposals for the improvement of customer care services based on a more efficient communication.
Expenses and investments in protection of environment	Representatives of the local authorities	Proposals for company's involvement in investments for the protection of environment: <ul style="list-style-type: none">• Replacement of the overhead cables by underground ones• Support offered to the non-governmental organizations involved in environment activities

Even if, at this moment, we do not have sufficient data/information which would satisfy the level of the expectations of the groups mentioned at chapter Stakeholders Engagement, we plan to monitor the above-mentioned topics and to collect data/indicators so that in future we would be able to report/publish the data adequately.



The way in which you can read this report

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The materiality analysis and the stakeholder engagement have directly influenced the contents of the following pages. Therefore, the next chapters will present a diagnosis of the performances achieved by Distribuție Oltenia with regard to sustainability in the year of 2016, in accordance with the GRI G4 Guidelines and in alignment with the aspects prioritized with the help of our stakeholders.

For any further information regarding the methodology on the development of the sustainability report and its content, you may contact us at the e-mail address: raport-sustenabilitate@distributieoltenia.ro.

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Going through the present report (a first for our company, but to be re-edited on a yearly basis), you may learn how we work on sustainability, how we distribute energy and what is our impact, as well as how we provide the proper governance, in line with our values and our code of ethical behaviour.

Each aspect will be presented as a sub-section of one of the next chapters and its identification code from the GRI G4 Guidelines will be marked on the side of the page on which the aspect is being presented in a detailed manner. A complete list of aspects presented in this report you may find in Annex 1. "GRI Content Index".

CHAPTER 4

Our clients





Profile of our clients

The market of electric power is 100% open and any client can choose a supplier. The unbundling of electricity distribution and electricity supply was entirely done according to the European Directive 2003/54/EC regarding the unbundling of activities in the energy sector. In 2016, the company Distribuție Oltenia has

distributed energy for 1.437.240 places of consumption in Olt, Dolj, Gorj, Vâlcea, Argeș, Mehedinți and Teleorman counties.

The structure of the consumption places serviced by Distribuție Oltenia is as follows:

No. Crt	Type of customers	No. of customers
1	Household clients	1322434
2	Vulnerable clients	8
3	Persons retired from the Ministry of Energy	7365
4	Clients assimilated to household clients	14079
5	Industrial activities	10638
6	Industrial activities – administrative head-offices	663
7	Clients from agriculture sector – production units	1046
8	Clients from agriculture sector – administrative head-offices	102
9	Public services	17917
10	Public services – administrative head-offices	12813
11	Clients of third parties	11848
12	Clients with temporary activity	846
13	Clients with seasonal activity - administrative office	116
14	Clients economic agents - Services	37365
	Total	1 437 240



Primary products and services

The core activity carried out by Distribuție Oltenia is the distribution of electric power through an electrical network up to the end user. To accomplish this service, the company concludes network agreements with end users' energy suppliers. The main electric power supplier for Distribuție Oltenia within its operational areas is CEZ Vanzare.

In its relation with the final client, Distribuție Oltenia provides services of:

- Connection, disconnection and re-connection to/from the grid;
- Installation and reading of energy meters;
- Troubleshooting;
- Maintenance of equipment;
- Constant communication regarding the quality of services.

From an operational point of view, the activities of the distribution service include the exploitation, maintenance and development of the electric network from producers to consumers, by operating the equipments in safety, fitting within certain quality parameters and reducing maintenance and repairing costs.



Third party service supply

Along the electricity supply chain, Distribuție Oltenia worked in 2016 with 343 suppliers of Romanian origin, as follows:

Segments in the chain of supply for which services/products are procured from suppliers	Electric power distribution
Types of services/products which were procured	<ul style="list-style-type: none">• Maintenance services,• designing the network,• reading and measuring the energy meters,• investments in network,• new connections and• power products – pillars, conductors, transformers, insulators.
Geographic area	Counties: Dolj, Olt, Vâlcea , Mehedinți , Gorj, Argeș , Teleorman
Number of suppliers	343
Percentage of acquisitions from local suppliers	91%

The procurement practices are developed based on a set of principles such as: non-discrimination, equal treatment, mutual recognition, transparency, proportionality, and the capacity to assume responsibilities. These are important values for the company, as they help us maintain and develop credibility in front of the final clients and make clients trust more the company's services.

The performance and the efficiency of procurement processes is constantly evaluated by the empowered financial authorities and through the periodical internal audit, thus verifying the compliance of services with the operating procedures and the legislation in force, aiming to grow the quality and efficiency of the performed services.

In 2016, there was no significant change in the location of suppliers, structure of the supply chain or relations with the suppliers, including for selection and cancellation of agreements.



Precautionary Principle

Distribuție Oltenia performs services, without manufacturing products. The Precautionary Principle usually applies to the companies bringing products on the market. How to manage risks and opportunities is described in operational procedures, and each department has identified specific risks and how they can be controlled / reduced or eliminated. To ensure

sustainable development in every field of activity and to minimize risks, we have various tools that are used with high performance. Such tools are detailed in the sections dedicated to quality assurance, vocational training, environmental protection and good governance.

Access of clients to electric power

The capacity of the distribution network

In order to evenly distribute the electricity in all 7 counties, Distribuție Oltenia operates with 143 conversion stations of 110kV/MT, 60 MT/ MT transformation stations, 81 points of supply, 10 288 transformer posts and power lines with

a total length (less connections) of 54 890 kilometres.

The power lines for electricity distribution have various voltage levels and, based on this, they can be of:

No. Crt	Type of customers	U.M.	No. of customers
1	High Voltage (HV) (110 kV)	km	5,397
2	Medium Voltage/MV (20 kV)	km	21,471
3	Low Voltage/LV (0.4 kV)	km	28,022
4	Low voltage electrical connections	km	30,873



In 2016, the volume of energy circulated in the network of Distribuție Oltenia grew from 9 621 000 MWh to over 9 799 000 MWh. The maximum peak load of 1.71 GWh was registered on the 2nd of June, at 11:00 AM.

On the other hand, the volume of distributed energy lowered from 6 418 724 MWh in 2015 to 6 381 036 MWh (a slight decrease of -0.59%), because of the energy variations on voltage levels HV (-4.87%), MV (-1.88%) and LV (+3.16%).

As for the incidents and interruptions on the network, they looked as follows:

SAIFI – System Average Interruption Frequency Index for Network Interruptions for one consumer in one year

- Planned interruptions = 0.75 interruption incidents/year/client
- Unplanned interruptions = 3.84 interruption incidents/year/client

Total SAIFI 2016: 4.59 incidents/year/client

SAIDI 2016 - System Average Interruption Duration Index for one consumer in one year

- Planned interruptions = 197.5 incidents (min./year/client)
- Unplanned interruptions = 330 incidents (min./year/client)

Total SAIDI 2016: 527.5 min./year/client

Though the optimum functioning of the distribution network was affected by weather, the number of network incidents and interruptions lowered by 2.5%, compared to 2015, due to an ample program of investments of 166 379.7 thousand RON, financed from own resources, and a commissioning program in amount of 166 220 thousand RON.

In conformity with the company strategy, these investments aimed to:

- Bring the performance indicators SAIDI/SAIFI in line with the commitments made to ANRE through the modernization of MV networks and mounting reclosers;
- Reduce Own Technological Consumption

through measures such as:

- modernization of LV grids;
 - procurement and mounting of new transformers, thus replacing the ones with expired life span, which had big technological losses;
 - upgrading installations previously working at 6 kV, to 20 kV– through the modernization of transforming posts and mounting 6 km of MV cable;
 - securing consumers' metering units.
- C. Improve the quality parameters for the energy distributed to final consumers
- construction of some new distribution capacities, by creating new transformer posts and by expanding the MV/LV grid.

D. Integrate the 110kV/MT transformer stations in the SCADA system of Distribuție Oltenia;
 E. Renew clients' meters, as per the metrology standards in force, by procuring and mounting new meters for the metering of energy at both new and old clients.

From a technical point of view, the most important investments made and commissioned in 2016 by Distribuție Oltenia were:

- Upgrading the grids of 6 kV to 20 kV in Craiova city– 4514 thousand RON;
- Works for “Modernization of transforming posts and mounting of new transformers to reduce Own Technological Consumption” in Vâlcea , Dolj, Gorj, Argeş , Olt, Mehedinți and Gorj counties – 7515 thousand RON;
- Works of modernization of the LV overhead lines and connections and modernization of other connections to reduce own non-technological consumption – 16665 thousand RON;
- Integration in SCADA of the stations of 110/20 kV and si 20/6 kV: Mioveni, Târgu Jiu Sud, Bălcești, Drăgănești - Vlasca, Țicleni 2, Parângu, Peșteana, Cărbunești, Seciuri, Schitu Golești, IMM Câmpulung – 26460 thousand RON.

The energy distribution is set on regulatory basis both by the primary legislation (Law 123/2012), and the secondary legislation (ANRE Order 75/2013). In compliance with legal obligations, Distribuție Oltenia budgeted its first investments for expansion of networks and electrifications in order to supply electricity

to the consumers and the works made were based on collaboration with the local authorities. Thereby, Distribuție Oltenia has no un-electrified areas which could affect the household consumers.

As a result of the social and economic development in its area of operations and based on the requests received both from public authorities and private persons, Distribuție Oltenia registered and took into consideration investments in areas that were partly electrified.

The table below presents the number of requests and the affected population:

County	Requests	Population
Dolj	31	156
Mehedinți	12	137
Gorj	18	69
Vâlcea	3	52
Teleorman	1	7
Argeş	31	200
Olt	3	33
Total	99	654

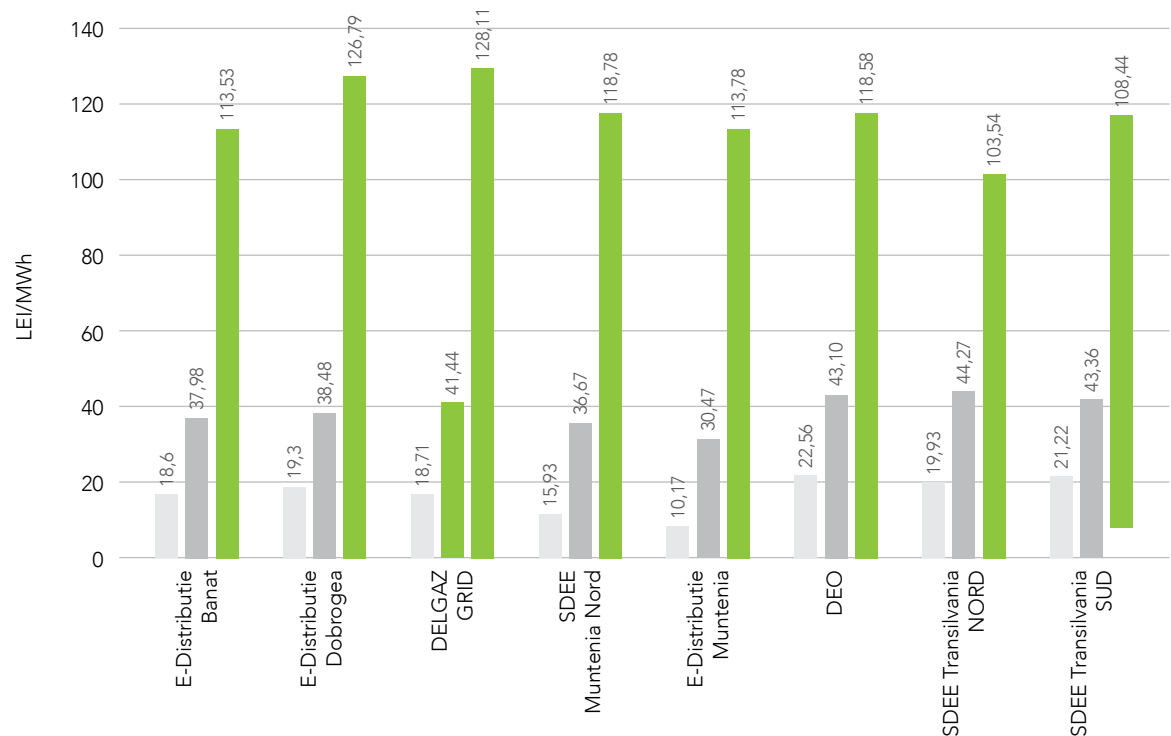
Consequently, the percentage of population not serviced by Distribuție Oltenia is of only 0.02% of a total number of 2 945 918 persons from its area of distribution.



Conditions for access to the network

As per the legal framework, the client has access to the energy after having paid a tariff. The electricity price paid by the client to the producers/suppliers of electricity as well as the tariffs for the distribution are not entirely influenced by the decisions of the Company, but are first set on a regulatory basis by ANRE (Romanian Energy Regulatory Authority).

The tariff received by the company Distribuție Oltenia for the energy it distributes varies based on the voltage level (HV, MV and LV), as follows:





In case the client does not pay the invoice, Distribuție Oltenia can be asked by the supplier to disconnect the place of consumption, as stipulated by the law and the terms of the agreement for energy supply and distribution. Distribuție Oltenia resumes the energy distribution pending on the supplier's demand.

The figures presented by Distribuție Oltenia in 2016 regarding the number of clients disconnected for non-payment reasons can be seen in the table below and they are presented on various time spans:

Time passed between disconnection and payment	< 48 hours	48 hours - 1 week	1 week – 1 month	1 month – 1 year	Total
Number of clients disconnected in 2016 and later on re-connected	9 200	2 800	3 100	1 100	16 200

Service quality assurance

Distribuție Oltenia is a client-focused company and, based on all the measures that it takes, it aims to satisfy the highest standards in its field. In 2016, Distribuție Oltenia has intensified its efforts to secure the good functioning of client relations. With a mix of regional Customer Care Centres, employees, technology and updated internal rules, the client service operates at the highest standards.

Thereby, in its network of 16 Customer Care Centres (CRCs), covering its entire operational area, the company oversaw the implementation of the following innovations:

- Installation of scanners with software for the generation of partially filled in forms, in order to save time processing the requests received from clients and to increase their satisfaction;
- Adoption of an in-house Declaration on Client's Rights and Code of Conduct, together with a Decalogue of Promises made to the client (see more details down below);
- Monthly review of the various elements within loyalty agreement which have an impact on client satisfaction (ex: 80% of the clients dealt within in less than 20 minutes in CRCs; 80% of the phone calls taken in less than 45 seconds; 3.5 minutes average response time to answer



questions linked to the power services);

- Opening of a mix of communication channels in order to take over the clients' requirements: 4 phone lines, 2 fax lines, 2 email addresses to send requirement/notification, 1 email address for the notification of any breach of the behaviour code, 1 online form for general notifications;
- Reduction of response-time on certain communication channels (priority in solving requirements received by email);
- Reduction of waiting time by implementing the call-back functions during the times with large numbers of clients waiting in queue.

The Declaration on Client's Rights and Code of Conduct, developed and adopted in the company in 2016, defines the business ethics and expected behaviours as well as the limits of company's interaction with its clients. By clearly defining the company's rights and obligations towards its clients, as well as the clients' rights and obligations towards the company, Distribuție Oltenia wants to simplify and improve its relations with the customers and to protect them in case of any possible abuse or breach of their rights.

The 6 chapters of the Code speak about the company management's approach regarding the following aspects:

1. Commitment to clients;
2. Values respected by the employees in their relation with clients;

3. Clients' rights;
4. List of unacceptable behaviour;
5. Measures in case of code breach;
6. Whistleblowing mechanism – "Speak freely".

The customer service is built according to the following principles:

- Honesty in relation to customers - a prerequisite for a successful and sustainable business relationship;
- "Fair play" and responsibility - the company requires its employees, as it commits itself, to honor the promises made to customers with a high degree of professionalism;
- Quality of service, in accordance with applicable national and international standards;
- Fair use of business-marketing and advertising methods, in a manner that does not contravene the Code of Conduct.

By adopting the Code of Conduct, the company's employees made a commitment to:

1. Be hospitable, equitable, polite, friendly and accessible;
2. Understand the needs of the clients (the company consults its clients with regard to the services being offered, in order to constantly improve them; it transmits the invoice electronically, permanently considers the clients' program when performing its operations, quickly answers clients' questions with regard to service delivery etc);
3. Behave professionally, be well informed and proud of what they are doing;



4. Raise at the level of their clients' expectations and when this is not possible, explain why;
 5. Correctly inform the clients on what they can be offered and on what they should expect to receive from the company (the customer care centres offer free consultancy on energy services for 80% of the clients in less than 20 minutes);
 6. Treat clients as they themselves expect to be treated;
 7. Respect confidentiality of clients' personal data;
 8. Respond to all clients' complaints and use their suggestions in order to improve the service quality;
 9. Offer services of quality and make permanent efforts to improve them;
 10. As quickly as possible, answer phone calls and emails received from the clients (80% of the phone calls are taken in maximum 45 seconds; electronic messages are answered in maximum 48 hours).
- By having direct meetings with the managers of the customer care centres or with other activity managers;
 - By e-mail at relatiiclienti@distributieoltenia.ro or distributie@distributieoltenia.ro;
 - By sending a fax letter at 0251 216 471, 0372 526 471;
 - By sending a post letter at Distribuție Oltenia SA, str. Calea Severinului, no. 97, parter, etajele 2, 3, 4, Craiova, jud. Dolj, 200769;
 - By filling in an online form: <https://www.distributieoltenia.ro/ro/sesizari-form>

Distribuție Oltenia openly encourages clients to report when the Code of Conduct is transgressed, as well as it encourages them to send any complaints or requirements in connection with the company's services.

Thus, customers can communicate / request information / submit complaints in various ways:

- Directly, to any desk from a customer care centre;
- By calling InfoTel 0800 500 000, 0251 408 006, 0251 408 007, 0251 408 008



In 2016, Customer Care Centres received and solved a total number of 16962 complaints, which can be broken down based on the type of the final client and the mode the complaint was taken over:

Mode of taking complaints over	Total	Household final client	Non-household final client
1 Written copy submitted at unique contact points of suppliers	3879	3507	372
2 Through a phone centre	9246	8741	505
3 Using an e-mail address	2752	2340	412
4 Using the on-line form	46	42	4
5 By fax	414	305	109
6 By post office	625	515	110
Total	16962	15450	1512

Depending on the complaint category, conclusion of analysis and the legal term reached when delivering a solution, complaints can be broken down as follows:

Category of complaint	Total	Solution in legal time	No solution given in the legal time	Number of complaints which were not solved on time, out of total number of complaints
1 Contracting energy	576	576	0	0
2 Invoicing the value of supplied energy	6069	6069	0	0
3 Price and tariff offer	1	1	0	0
4 Continuity in energy supply	183	183	0	0
5 Quality of supplied energy	756	756	0	0
6 Functioning of metering units	9065	9065	0	0
7 Switching supplier	0	0	0	0
8 Informing the end clients in line with the legislation in force	0	0	0	0
9 Solutions to complaints against suppliers made by the end clients with regard to non-observance of the legislation in force	0	0	0	0
10 Solutions to other complaints made by the end clients	312	312	0	0
11 Total, of which:	1692			
12 Grounded	8844			
13 Not grounded	8108			
14 Unsolved	10			



According to the synthesis regarding the solutions and correcting measures afferent to the categories of complaints, in January 2016 – December 2016 period, a total number of 25806 complaints were addressed, as follows:

No. crt	Category of complaint	Synthesis of solutions		Corrective measures														
		Grounded complaint	Not grounded complaint	Complaint which cannot be solved	Compensations	Corrections	Invoice rescheduling	Rescheduling installations	Analysis of explanations	Process	Payment re-allocation	Payment cancellation	Meter replacement	Re-sealing	Metrologic	Pre-notification invoice	Conciliation	Other measures
1	Contracting energy	176	400	0	1	0	1	2	1	0	170	0	0	0	0	1	0	
2	Invoicing supplied energy value	2099	3962	8	97	1	0	29	1	7	1707	23	0	1	9	198	26	
3	Price and tariff offers	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	
4	Continuity in energy supply	32	151	0	0	0	3	1	8	0	0	0	0	0	0	0	20	
5	Provision of supplied energy quality	244	511	1	1	0	3	16	1	0	0	1	0	0	0	191	31	
6	Functioning of the metering units	6244	2820	1	37	1	1	4	0	0	206	5884	0	14	0	94	3	
7	Switch supplier	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8	Informing end clients as per legislation in force	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
9	Solving complaints addressed to supplier by the end clients with regard to non-observance of the legislation in force	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
10	Solving other complaints of the end clients	48	264	0	2	0	0	0	2	14	18	0	0	0	0	0	12	
	Total	8844	8108	10	0	138	2	8	52	13	21	2101	5908	0	15	9	485	92



Our clients – pleased clients

Along the year, Distribuție Oltenia participated in a brand study session which analyzed both transaction-linked and satisfaction-linked questions.

As for the satisfaction-linked questions, they targeted:

- The extent of clients' satisfaction compared to the clients of our competitors;
- Identification of strengths and weaknesses with regard to clients' satisfaction;
- Identification of the most important benchmarks for increasing the clients' satisfaction.

The transaction-linked questions were sooner addressing the way in which the company's performance impacted the clients and had the following objectives:

- Measuring brand awareness, brand consideration and the clients' probability to recommend our services to others;
- Assessment of the brand image;
- Assessment of the brand performance.

Studies were made between March – April 2016 and they addressed people aged over 18, from Argeș, Dolj, Gorj, Teleorman, Olt, Mehedinți and Vâlcea counties. The methods used in order to take over the respondents' answers were:

interviews by telephone assisted by computer, web interviews assisted by computer or door to door questionnaires.

The results of the surveys demonstrated that:

- Over 50% of the questioned clients are pleased with the quality of our services and products;
- More than 30% of the clients consider that Distribuție Oltenia employees are real specialists.



Customers' health and safety

In 2016, there was no case of endangering the customers' health and/or safety.

Access in the transformation stations is strictly forbidden to unauthorized persons. In exceptional situations, when the access of some guests was allowed (i.e. "open doors" events or during the learning visits organized in connection with the program "The Electrician Apprentice") visitors received a training regarding health, security and rules for firefighting, and all were asked to wear the protection equipment during the entire period of the visit.

Over this, all points where our employees interact with the public/consumers respect the strictest standards of safety and protection in case of fire. Our employees receive periodical training regarding standards of occupational health and safety, technical monitoring of installations/equipments or intervention in case of emergency.



Customers' privacy

Distribuție Oltenia constantly monitors its clients' reaction to problems which they encounter and guarantees the security and protection of data collected through its communication channels. In this sense, the company notifies the client in advance about the collection and processing of data, and obtains client's consent for a potential use of the collected information for other purposes than the ones for which it has been provided. As for the protection of personal data, related both to employees and to clients, Distribuție Oltenia started to prepare in 2016 for the implementation of the European Rules for Personal Data Protection no. 679/ 2016, which will come into force in 2018, May 18th, and will be included in the following sustainability report.

Beside this set of rules, Distribuție Oltenia offers high security of personal data by strictly following the compliance with its internal regulations: Code of Behaviour, Code of Ethics, procedures for investigation and procedures for solving complaints, with firm provisions for suppliers and for network operators. Distribuție Oltenia also asks of its more than 340 partners/suppliers to similarly observe the protection of their clients' personal data,

soliciting them to comply with the Code of Behaviour for Suppliers which becomes part of all the service supply agreements concluded by the company.

In 2016, Distribuție Oltenia did not receive complaints about customers' privacy and / or loss of customer data and was not sanctioned in any way by the National Supervisory Authority for Personal Data Processing.

CHAPTER 5

Our Employees





Employed at Distribuție Oltenia, governed by values

As one of the main employers from the energy sector, Distribuție Oltenia is aware of its responsibility towards its employees and makes constant efforts to provide them with more than a mere work place.

By mean of modernization, (re)technologization and securing work spaces, ensuring continuous training and opportunities for socialization and development, through performance bonuses and rewarding systems, as well as by implementing initiatives that encourage personal-professional life balance, we made sure we offer our employees the proper chances and conditions to support performance. We represent an ambitious company, open to learning, innovation-driven and client-oriented. Naturally, we want to draw and retain people with a similar set of values. That is why professional formation, individual results and work attitude are the main filters we apply whenever we employ, assess or promote the employees.

The payment policies are equitable, based on professional competences and individual performances at the work place. The work relations are exclusively based on the equality

of chances, consensus and good will. Their observances, as well as the observance of compliance to the code of ethics and code of conduct at the work place are mandatory. We use correct practices and we accept no form of discrimination, harassment, forced work and children exploitation through work.

During the interaction with colleagues, partners or clients, we expect our employees to demonstrate exactly the same values and be a model of professional conduct for the people around.

The diversity and the opportunities both inside the company (for managers and employees) as outside of it (for clients, partners, and community) are equally important. In 2016, no incident of discrimination has been recorded, and no corrective action has been taken in consequence.

The assessment of the implementation of our principles and policies of human resources is made through internal audit. Also, the activity of the human resources department is controlled by the state competent authorities.



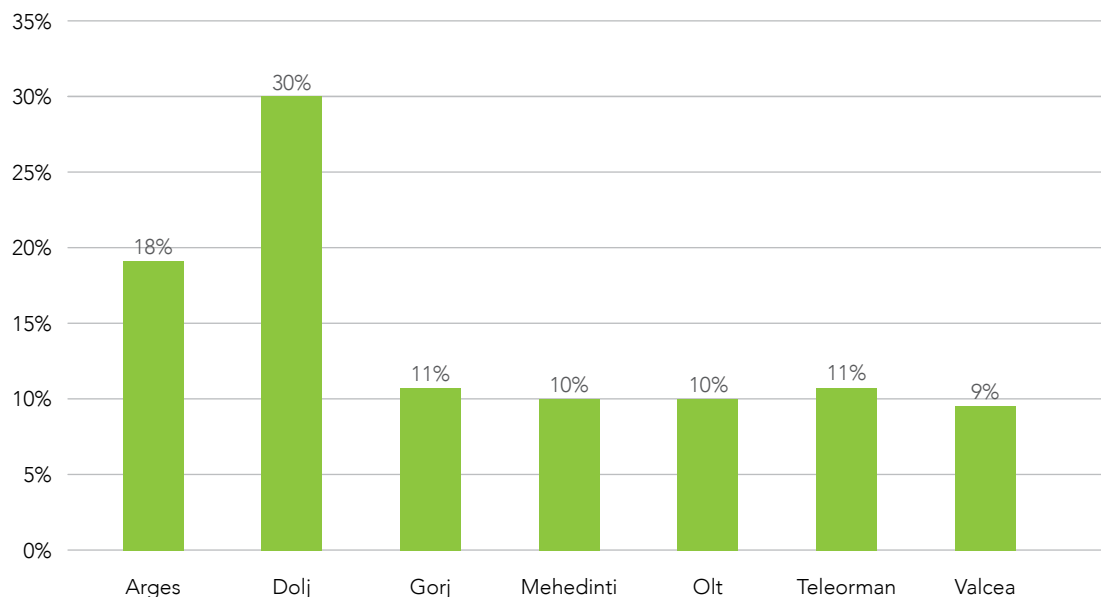
Who our employees are

In Distribuție Oltenia, at the end of 2016, there were 1223 employees with individual work contract (full time) and 5 external employees, with individual part time contract.

Most of Distribuție Oltenia employees are men - 90%. The same percentage can be observed in the case of employees with full time contract, concluded for an undetermined period of time.

The percentage of subordinated employees was of 94% at the end of 2016. According to their gender, the classification for both subordination and management reports was of 90% men and 10% women. Based on county and gender, the work force distribution is detailed as follows:

Work distribution at county level





Work distribution at county level



Genderwise, the various categories of human resources in the company can be split as follows:

Total number of employees based on:	Female	Male
Temporary employment contract	2	10
Full-time employment contract	113	1110
Part-time employment contract	2	3
Category of age: 18-19 years	59	
Category of age: 30-50 years	789	
Category of age: over 51 years	380	
Last school graduated by the employee: gymnasium	264	
Last school graduated by the employee: high-school/college	467	
Last school graduated by the employee: university	497	



At the end of 2016, the percentage of the employees who benefitted from the provisions of the Collective Employment Agreement in force and collective negotiations was of 100%. The benefits of the Collective Employment Agreement are detailed herein below at the sub-chapter "Social policies".

There have been no cases of contracting freelancers or other categories of persons, others than those employed with formal labor agreements, from inside or from outside the company. Also, no variations were noticed in the employment rate based on season or activity sector.

For the agreements existing between the company and service/product suppliers, we do not have information regarding the work force (qualified or not qualified) contracted by the latter for the accomplishment of services, nor do we possess any data regarding the number of days worked by their employees for operation and/or maintenance works or the percentage

of the sub-contractors' employees undergoing health&safety training. Such information had not been collected up to present for several reasons:

- The current strategy for acquisitions is focused on the provision of a certain quantity of services from external sources, not a certain quantity of work force;
- There was no legal demand regarding the collection of this type of data by the contractor;
- The suppliers do not use to communicate such data in their technical offers.



Retention of employees

Within Distribuție Oltenia, during 2016, we recorded only 59 cases of termination of the individual labor contract due to retirement, employee's will or dismissal.

Analyzing the cases of contract closure in terms of age group, county and gender, there is a higher incidence among 51-year-old men in Dolj, Gorj or Vâlcea.

County	Group of age			Total
	<30 years	31 years -50 years	>50 years	
Men				
Arges	1	5	3	9
Dolj	2	7	6	15
Gorj	0	3	6	9
Mehedinti	0	3	2	5
Olt	0	4	3	7
Teleorman	0	2	3	5
Valcea	0	0	5	5
Total Men	3	24	28	55
Women				
Arges	0	0	1	1
Dolj	0	1	0	1
Gorj		0	1	1
Valcea	0	0	1	1
Total women	0	1	3	4



Also in 2016, 122 new employees joined the company. Their split on age groups, counties and genders, points to an exponential growth of the employees aged between 31-50 both on the masculine segment and the feminine one.

County	Group of age			Total
	<30 years	31 years -50 years	>50 years	
Men				
Arges	9	16	2	27
Bucharest	0	1	0	1
Dolj	14	17	6	37
Gorj	1	4	1	6
Mehedinti	3	11	0	14
Olt	2	10	0	12
Teleorman	1	8	2	11
Valcea	1	3	1	5
Total Men	31	70	12	113
Women				
Arges	1	3		4
Dolj	2	1	2	5
Total women	3	4	2	9



Social policies

Distribuție Oltenia has issued and implemented a system of social policies meant to provide a real social protection to its employees. Thereby, according to the provisions of the Collective Employment Agreement, as negotiated, the company's employees receive bonuses and allowances in the following situations:

- Maternity leave and leave for bringing the child up to the age of 2 or up to the age of 3, for the case of children with disabilities;
- In case of work accidents or professional diseases, the company pays for the needed medical services as per the legal provisions;
- Aid in cash representing the difference between the allowance paid for work incapacity requiring hospitalization and the basic net monthly salary in proportion of 50-100%, based on seniority in work, within the company;
- Compensation for one year of the balance between the pension for invalidity and the basic salary in case the employee lost completely the work capacity as a result of a work accident or in connection with the work or because of a professional disease;
- Discounts for tickets in treatment resorts or holidays for the employee and the members of the employee's family;
- Retirement bonus paid on the date of retirement based on the total continuous seniority in the company or in previous entities;

- Aids in cash when the employee gets married, has or adopts a child, when the employee or a member of the employee's family dies, as well as aid in the form of free paid days for such events;
- Supplementary vacation days based on total seniority in work;
- Payment of lay-off allowance based on seniority in work;
- Individual meal allowance paid in the form of lunch tickets;
- Salary supplement at some annual holidays (Easter, Christmas, 8th of March, the Day of Workers in the Energy Sector) and presents offered to the employees' children in Christmas time;
- Daily allowance in fixed gross amount of 50 RON/day, in case the delegation lasts at least 12 hours/day;
- Aid in cash in case of calamity, paid to the employees whose homes were affected by natural calamities;
- Payment of bonuses for the participation at various projects.

Only in 2016, we invested more than 7,811,000 RON in bonuses and benefits.



Parental leave and return to the work place

Distribuție Oltenia encourages the balance between the personal and professional life and offers the incentives imposed by the law (as well as other bonuses such as the one for marriage) in order to encourage its employees to establish a family. In 2016, 4 employees (2 women and 2 men) took a parental leave.

Also in the same year, 2 women and 1 men returned to their work place from the leave taken to bring up a child. The percentage of returning to work from the parental leave is of 100%. The employees who returned to their workplace are still employed with us.

Retirement policies

The aged employees represent a very precious human capital for the company as they are experienced and mature specialists from whom the young employees can learn all the time.

Through our departments of human resources and compliance we make sure that the seniors of our company have the same opportunities of personal and professional development as their younger colleagues and have an active role in the development of the company. Their knowledge and abilities are used both in job-shadowing and mentorate programs, as well as in professional competitions (The Electrician's Trophy).

By involving them in CSR programs (i.e: the program of vocational training Electrician Apprentice, Marathon of Oltenia – sport competition with a social cause, reforestation activities in our area of operations, internal grants competitions for employees, the partnership with the Association Never Alone), we make sure that our senior employees develop their capacity of remaining active members of their community, no matter their situation.

At the time of their retirement, to reward their loyalty and their contribution to the company's development, based on the provisions from the Collective Employment Agreements, the senior employees receive an aid in cash which is the equivalent of a gross basic salary, together with other benefits, as mentioned above.

The company's gratitude towards its retired employees is reiterated every year by inviting them to attend a special reunion. This type of alumni event was first launched in 2014 as a recognition of the efforts made by those who set the basis of the electric power system in Romania. The first meeting took place at Ramnicu Vâlcea , in 2015 it was organized in Slatina, and in 2016 it took place in Mehedinți County.



The percentage of the employees eligible for retirement in the next 5-10 years, at level of each county and based on employee category, is as follows:

County	Term for retirement	Coordinator	Electrician	Engineer	Management	Specialist	Total
Argeș	...> 5 years		0.3%		0.1%	0.4%	0.8%
	...> 10 years	0.4%	1.2%			1.5%	3.1%
Dolj	...> 5 years		1.1%	0.2%	0.1%	1%	2.4%
	...> 10 years	0.2%	2.8%	0.2%	0.5%	2.5%	6.2%
Gorj	...> 5 years	0.1%	0.2%			0.2%	0.5%
	...> 10 years	0.2%	1.1%			0.6%	1.9%
Mehedinti	...> 5 years		0.2%			0.1%	0.3%
	...> 10 years		1.1%		0.2%	0.5%	1.8%
Olt	...> 5 years	0.1%	0.2%		0.1%		0.4%
	...> 10 years	0.2%	1.4%		0.1%	0.2%	1.9%
Teleorman	...> 5 years	0.1%	0.7%			0.6%	1.4%
	...> 10 years	0.2%	2%			1%	3.2%
Vâlcea	...> 5 years		0.4%			0.2%	0.6%
	...> 10 years		1.1%		0.2%	0.5%	1.8%
Total	...> 5 years	0.3%	3.1%	0.2%	0.3%	2.5%	6.4%
	...> 10 years	1.2%	10.7%	0.2%	1%	6.8%	19.9%

As the figures point out, on the long term, Distribuție Oltenia will need to recruit new electricians and specialists (in almost all 7 counties) in order to occupy the vacancies resulting from retirement.



Education and professional training

Distribuție Oltenia has understood that investing in the development and training of its employees represents a strategic necessity. The professional training of the employees is in line with the Romanian legislation in force and secures the coherence between the exigencies imposed by present functions, future functions and employees' abilities. On long term, the employees' professional training provides the right balance between their personal development and the qualifications required by the position they occupy.

The training needs identified for the current roles in the organization and for each employee are centralized in the annual plan for professional training.

In line with the short and medium-term strategy of Distribuție Oltenia, beside the annual plan of professional training, it may also appear the need of having training activities imposed by the launch of new projects, products and services, or by the introduction of new technologies.

In 2016, Distribuție Oltenia organized professional training programs with the following objectives:

- increase the competences in the energy field, through professional training programs for the

efficient use of the facilities;

- increase managerial and coaching skills;
- Increase language skills;
- increase computer skills;
- acquire knowledge for improving the SSM management system;
- acquire knowledge and obtain authorization in the mechanical bossing profession;
- obtain the necessary authorizations, according to the Romanian legislation in force;
- acquire knowledge to deliver first aid, according to the legislation in force;
- improve and update the knowledge about legislative changes in the energy sector.

Of the total trainings, about 67% represent professional training, while 33% represent other training programs (soft skills, legal obligations, authorizations, etc.). The professional training programs organized in 2016 were attended by employees from all professional categories, from executives to top management.

For 2016, the average number of training hours per employee was of 19, split as follows: 5 hours for the female employees, 21 hours for male employees.



The average number of hours for training/year looks as follows:

Category of employees	Men (no. of hours)	Women (no. of hours)	Total (no. of hours)
Coordinator	14	-	14
Electrician	27	-	27
Engineer	28	7	35
Management	27	11	39
Specialist	7	4	11
Total hours	103	22	125
Annual average of training hours/ employee, based on gender	20.6	7.33	
Annual average of training hours/ employee		25	

In terms of Health&Safety, 100% of our employees participated in different forms of training, and the effectiveness of these approaches was proven in practice:

- 75% of the employees subject to H&S authorization process have received 7+ grades;
- 70% of the employees trained on H&S (about 960 persons) received 8+ marks for the tests;
- One single work accident.

In addition, 24 of our employees were enrolled and participated in the strategic project "The Academy" which works as a learning platform for the strategic development of the managers and specialists. This program lasts 18 months and has the following objectives:

- Improve management and leadership abilities;
- Increase the individual responsibility by sharing experience, implementing mentorship schemes and development of succession plans;
- Increase commitment and individual responsibility by capitalizing the drive towards personal development;
- Development of lifelong learning abilities.

For the first time, Distribuție Oltenia participated in the Case Study Competition - 2016 edition. This is an innovative approach of management training, engaging participants in learning



experiences which are similar to what students have at MBA courses. Together with employees from other companies, DEO's employees attended this stimulating and dynamic exercise which lasted two days and at the end of which the team presented a solution for a case study chosen by the organisers.

Compliance with the legal framework and internal procedures regarding employee training, as well as the organization of training and development activities are verified by internal audit.

Evaluation of performance and remuneration policy

No matter what role they have inside the company, all employees (100%) have access to opportunities of professional development and participate in performance evaluation and self-evaluation. Within Distribuție Oltenia, salaries are formed of a fixed part and a motivational part. The motivational part is represented by a monthly performance bonuses, payable quarterly, based on fulfilment of Key Performance Indicators (KPIs).

The setting of KPIs offers the employees a clear set of targets and improves the rate of understanding the shareholders' expectations. The periodical evaluation of performance leads to employees who are highly aware of

their competence and the right behaviour is rewarded. Each employee is evaluated both based on some strategic indicators, derived from the strategy of the company, and based on individual indicators, specific to the activity of the employee.



Occupational Health and Safety

Whether we think of the employees fixing the electric power lines or to the ones working in the customer care centres, their health and safety are our first concern.

The strategy of Distribuție Oltenia regarding the occupational health and safety, as well as related to emergency situations is not limited only to the observance of some laws and rules – these are essential and it is mandatory to apply them in every setting.

The company's Policy on Occupational Health and Safety has set as permanent actions to:

- Respect legal requirements related to health and safety at the work place;
- Protect the health and safety of all employees by preventing injuries, health degradations, diseases and incidents;
- Tailor activities to the person fulfilling it, especially with regard to the design of work places/posts, choice of work equipment and work methods, in order to reduce risks and diminish their effects over health;
- Foresee that employees are consulted on a regular basis with regard to occupational health;
- Permanently improve the management system of health and safety at work.

To this end, the management takes the following measures:

- By implementing every year a prevention and protection plan so as to identify and minimize risks for employees' health and safety (some examples of activities mentioned in the plan: monthly courses for the employees, including for first aid; provision of protection equipment; yearly medical verifications etc.);
- Policies regarding protection and health at the work place together with the protocol for emergency situations are constantly updated and the employees are informed every time (on site - when they are employed; periodically – through training on safety, health issues and firefighting, as well as through periodical newsletters on Health&Safety topic or through poster campaigns in the administrative offices);
- All personal protection equipment of the employed personnel from the distribution sector are periodically verified;
- All visitors and new contractors who arrive in energy transformation stations are trained before they get access there.

To significantly improve the health and safety of employees at their work places, the company also make sure to:

- Diminish polluting emissions up to the point of their elimination;



- Arrange offices in an ergonomic way;
- Provide proper conditions of a working climate and micro-climate (light, noise, vibration, temperature, fresh air, humidity) as well as to supply the obligatory hygiene-sanitary materials, water for drinking and for washing at all work places;
- Adequately arrange the social units appended to the work places (ex. rooms where employees change their clothes, sanitary units, canteen);
- Permanently check the materials, equipment and substances used during the work process;
- Develop a culture of prevention, to develop the employees' awareness regarding the risks at work, to know and observe the implementation of laws/standards of health&safety, to know the standards regarding the intervention in emergency cases and to apply them;
- Prevent professional diseases – we treat with priority diseases caused by problems with muscles, bones and eyes – related to this, all employees go through medical check-ups on-site, when they are employed, and at regular time intervals, free of charge;

- Prevent the exposure of pregnant women or of women who just gave birth or who are breast-feeding to risks which may affect their health and safety;
- Adopt, with priority, measures of collective protection versus individual protection;
- Issue own instructions in order to complete and/or apply the rules of occupational health and safety, keeping in mind our particular activities and the characteristics of the work places/posts;
- Organize and carry out training sessions and testing in the domain of occupational health and safety, as well as regarding emergency situations;
- Support the functioning of the Committee for Occupational Health and Safety;
- Revision the way the fire-fighting equipment is placed.

The main indicators regarding incidents of occupational health and safety in 2016 are the following ones:

Indicators referring to occupational health and safety				
No. of registered work accidents	No. of measures stipulated by the Work Inspectorate in Minutes	No. of applied sanctions	Rate of training offered to the personnel [%]	Observations
1	10	1	100%	The 10 measures were given during 8 controlling actions



The work accident registered in 2016 was the electrocution of an employee because of using unadvised work methods (non-observance of IPSM1/2007) when he accessed a MV/LV network.

Also in 2016, there were given 4884 hours of medical leave, as shown in the following table:

County	Women (no. of hours of medical leave)	Men (no. of hours of medical leave)
Argeș	66	597
Dolj	330	1474
Gorj	10	625
Mehedinti		424
Olt	31	438
Teleorman	26	461
Vâlcea	61	341
Total	524	4360

The provision of occupational health and safety is a constant preoccupation for the company. In 2017, the specialized departments from Distribuție Oltenia will make sure that the number of work accidents in 0 and the measures already mentioned will be implemented for that purpose.



Consulting the employees with regard to occupational health and safety

In 2016, Distribuție Oltenia established an Occupational Health and Safety Committee (CSSM) in compliance with the provisions of Law no. 319/2006. The CSSM is constituted of 6 members, of whom 3 are employee representatives and 3 come from the top management. Essentially, the ratio of 50% employees – 50% employer must be observed.

Here are the main attributions of the CSSM:

- to study the applications made by workers with regard to the work conditions and the way in which the appointed persons fulfil their attributions;
- to follow the implementation and observance of the legal regulations regarding the health and safety at work and the measures set by the work and sanitary inspectors;
- to analyse the causes of work accidents, of professional diseases and events and to propose technical measures, completing the measures disposed after the investigation;
- to make verifications regarding the implementation of work or its own instructions and to make a written report with conclusions;
- to prepare the prevention and protection plan for the year to come.



The relation with trade unions

All the employees have the right to become a member of the Trade Unions and to be represented in the relation with the company. This basic principle is already in place, with 6 union associations, out of which 1 (one) is affiliated to the National Federation of Electricity Unions "Univers" and 5 (five) are affiliated to the Phoenix National Federation.

The Electrotechnical Workers' Union of Oltenia, based in Slatina, is the only representative union at the level of the company, having more than 50% + 1 of the total number of employees. It is the union with which the Additional Act no. 4 to the Collective Labor Agreement has been negotiated, extending its validity until 31.03.2016.

The other 5 trade union organizations active in Distribuție Oltenia, but which are not legally representative, are the following:

- Trade Union FRE Drobeta;
- Trade Union FRE Gorj;
- Trade Union FRE Vâlcea;
- Trade Union Energo Craiova;
- Trade Union Electrica Pitești.

The company's administration recognizes the Trade Union and its representatives as legal partners for a permanent social dialogue, as

it remains open to communication with other trade union organizations, which do not meet the legal conditions of representativeness, but do meet the legal conditions of constitution. Meetings with the Trade Union and Trade Union Representatives, or with other trade union associations, are a good occasion for the the company management to provide information on newly launched or under development strategic projects and operations, the evolution of key performance indicators and the calendar of upcoming events, internal / external.

At the same time, regular meetings with Trade Unions allowed the development of an annual training program for employees on the application of work and safety rules, health and safety training at work in a centralized system with authorized instructors, and annual employee health assessment.

CHAPTER 6

Energy comes from the people





The relationship with local community

Local communities are at the heart of Distribuție Oltenia. For us, a continuous and constant relationship with the local community is important because it ensures the success of our operations. The level of development of local communities is a mirror to our own future, showing us how much and how stable we can develop locally. In addition, our businesses and the local community are closely linked: most of the time, our employees and their families are part of these communities, many of our suppliers are local, our clients and the local community are essentially one and the same. Last but not least, close and reciprocal collaboration can help us identify potential opportunities and mitigate development risks.

On the other hand, the presence of the company on the local market proved to come, year after year, in the support of community development, directly, through total investments in services and infrastructure, or indirectly, through salaries paid to employees, taxes collected by public authorities, works contracted to local suppliers, financial aid to civil society in areas such as education, culture, environmental protection, etc.

Dialogue and direct interaction with communities give us a particular energy. We

communicate frequently with our audience through media activities, press conferences, printed materials, or online channels (web pages - www.distributieoltenia.ro), or through the mediation of our employees, who are always up to date with the latest developments and projects of the company, thanks to intranet communication, newsletters, internal magazines. For added transparency in communicating with the general public and, implicitly, with local communities, we develop and publish annual reports on our activity in the operational area. The sustainability report, grounded in consultation with stakeholders in the local community, is a new approach that reaffirms our commitment to openly communicate our results and to use this analysis as a support for improving our economic, social and environmental results.

We also maintain a face-to-face communication with the stakeholders as much as possible, by conducting regular trips and meetings. Distribuție Oltenia representatives frequently meet with the representatives of the authorities and local communities from each county. So, at least twice a year, we take the initiative to organize a meeting with the central authorities (the prefect, the mayoralty of the city and representatives of county councils) and with



the representatives of the civil society, giving them information related to our investment projects (the ones we already had and the ones we plan for the upcoming period). We also hold consultations regarding the development of strategic projects and we ask for information related to the needs of the local communities from our area of operation. The suggestions collected during such meetings are translated into changes to be implemented in current projects, or become the opportunities we materialize in new projects or in CSR programs that we implement with the direct help of the community.

Once per month or once every two months, in each of the 7 counties, the company's representatives are invited to participate at the meetings of the Prefect's College, a consultative body of the prefect for the accomplishment of the public services organized at the city level. During these meetings, current policies and programs are analysed and the private partners (among whom Distribuție Oltenia is one) are consulted in relation with their improvement. At the consultations with the local public authorities and/or the local community, the company is represented by its top management or by other specialists empowered to solve the problems which are subject to discussion.

The meetings between the authorities and the representatives of the company can take place at the request of the authorities too,

whenever they need our support for the electricity distribution or for the connection to the grid of new consumers, as resulting from the social and economic development in our area of operations (ex. the development of infrastructure through projects with European funds, new investors breaking into the market, the positive workforce turnover etc).

Such an example would be the investments made by the company for the network expansion and connection set-up in areas that were partially electrified, in response to the 198 requests received from the local authorities and from private persons as well. After such investments, more than 1308 persons from the counties of Argeș , Dolj, Gorj, Mehedinți , Olt, Teleorman and Vâlcea benefitted of electric energy and Distribuție Oltenia came to have coverage of 99.98%, the percentage of the non-served population being reduced to 0.02%.

Through all these measures we make sure that the projects made with and in the benefit of communities have local needs as their grounds, are in compliance with the local specific nature and are implemented with the free participation of the community members. The interventions made by Distribuție Oltenia upon the local communities' environment are in compliance with the law, are legitimized by the request for such services and do not adversely influence the structure or the welfare of the local community. Our openness regarding the electricity distribution or requests for investment is also



to be found in the way we solve the possible litigations regarding the use of land plots or, where it is the case, the land-clearing for the installation of pillars and of power lines.

The potential cases of conflict regarding the right of using the land plots are strictly approached as per the national legislation in force. According to the Law no. 123 from 10.07.2012, the land plots on which the distribution network is situated, existing at the time when this law came in force, are and remain in the use of the Territory Administration Units. An exception from this provision would be the land plots on which the distribution operator, owner of the licence, received a property right as per the law.

In the case of the newly established power installations (as per Order of ANRE no. 59/2013 for the approval of Rules regarding the connection of users to the networks of public interest) the access to such installations is

allowed based on a convention signed by both the distribution operator and the private owner so as to set the right to use the land plot for placing the installations on the private property. The granting of the right to use the land to place the installations as well as the access of DEO's representatives to the installation will be made free of charge. In case a request for financial compensation is formulated with regard to the use of the land plot, as a result of not using the land plot before the year of 2012 (before the law no. 123), Distribuție Oltenia collaborates with the legal department to solve the cases as per the law.

The financial compensations are paid for those situations which are discussed in the court of justice and in the case they are finally and irrevocably ruled. In 2016 compensations in amount of 245,766.39 RON (approx. 55 000 EUR) were paid to private physical persons, with the following distribution per counties:

Compensations paid in Dolj County	Compensations paid in Gorj County	Compensations paid in Vâlcea County
44.420,40 RON	163.773,99 RON	37.572,00 RON



Energy for wellbeing

In addition to electricity, Distribuție Oltenia aims to offer its customers a different kind of energy: energy to do good. As part of its social responsibility strategy, Distribuție Oltenia has undertaken to support initiatives (coming from the community or from its own employees) in several key areas, which prove to be a priority at national level as well as at the local level: education, health, culture, sport, environmental protection. Through volunteer programs, our employees are also involved in various activities - from philanthropy to organizing fundraising events, internally or externally, for various social causes.

The projects that Distribuție Oltenia carries out or supports for the benefit of the communities in its operational area are established and selected on the basis of non-discriminatory, apolitical and transparent criteria. Moreover, the projects are based on the real development needs of such communities, in close cooperation with their formal and informal representatives, such as local authorities and institutions, non-governmental organizations, etc.

In 2016, Distribuție Oltenia invested over 628 000 RON in projects for the education of young generations, strengthening community cohesion

and helping the local cultural life. The support offered to the local community by Distribuție Oltenia was materialized in:

- The implementation of the vocational education program “Electrician Apprentice” for 48 pupils, in partnership with the Technological High-School Astra and the College for Energy Craiova, under the patronage of the School Inspectorates from Counties Argeș and Dolj;
- Helping the Gorj County Inspectorate of Education to organize the Olympic Games at English Language for the classes IX-XII, national phase, for 252 children from all over the country;
- Supporting the foundation “W. Shakespeare” in the organization the 10th edition of Shakespeare’s International Festival at Craiova, an event which gathered thousands of spectators as well as actors from Japan, South Africa, India, Portugal, Great Britain, Poland, Sweden, Russia, Germany, Italy or the USA;
- The publication of the book “The history of the power and heating system in Romania” in partnership with the General Association of the Engineers from Romania;
- Aiding the local authorities in the organization of cultural events such as The Symphony of Tulips 2016 (annually organized by the City Hall from Pitești) and Alexandria’s Town Days 2016 (organized annually by the City Hall from



Alexandria);

- Donation of a building from the company's patrimony to the City Hall of Pitești for the development of community services.

The company's employees volunteered for actions such as:

- Planting 6000 baby trees in deforested areas, in partnership with Forests' Directions in our area of operation - counties of Argeș , Caras-Severin, Dolj, Gorj, Mehedinți , Olt, Teleorman;
- Organizing the 4th edition of the Marathon of Oltenia 2016, a sporting event at which volunteers, runners and bike-riders transform kilometres into energy for good deeds; the event is organized every year during the last week-end of August, at Ramnicu Vâlcea , and

it promotes the movement in open air, the healthy life and the immersion in local life, rich in touristic potential; the 2016 edition of the Marathon involved 550 runners and riders from all over the country (even from abroad) and more than 100 children who competed in the races dedicated to them; the amounts collected from the participation fees and from donations (reaching to about 10 000 EUR) were used for the procurement of a surgical system with radio-frequency for the ORL and Paediatrics sections of the County Emergency Hospital of Ramnicu Vâlcea ;

- Organizing a philanthropic donation campaign around Christmas time for 18 poor families in the company's area of operations.

Electrician Apprentice, a flagship project

The idea of a flagship project for Distribuție Oltenia was born after observing the following trends in the field of vocational learning:

- The United Nations estimates a global population of 8.5 billion people by 2030, higher energy consumption and, implicitly, a greater need for specialists in the field;
- Romania is in world top three countries facing a crisis of trained professionals (according to a Manpower study, 2017); 40% of 42,000 employers (questioned for the study) have

recognized that they have difficulties in recruiting qualified staff;

- According to the retirement plans for the next 5 years, Distribuție Oltenia might have to cover a deficit of about 100 persons per year, especially for the job of electricians and sector specialists;
- At national level, in 2016, only 2.3% of all pupils were attending a form of vocational education, which will lead to a shortage of technical professionals as early as the end of



2018;

- In 2015, Romania had the highest percentage of students following social sciences and law (49%), but the lowest in science, mathematics and computer science (5.2%) in the EU.

Considering this context, Distribuție Oltenia has decided to directly contribute to the formation of the next generation of electricians in the region.

Thus, in 2016, a pilot edition of a vocational program, namely Electrician Apprentice (ro.: Ucenic Electrician), has been developed in the company's operational area, through a double partnership, with Astra High School in Pitești and Craiova Energy Technical College. The objective of the project was to help students enrolled for vocational education to successfully complete their formation. Thus, the program brings students into contact with relevant experiences and opportunities in the energy field and prepares them for their future as electricians.

Electrician Apprentice underlines Distribuție Oltenia's contribution in other areas that the operational one, as it strongly supports community development and pleads for qualitative education for all students, may they be enrolled in general or vocational education. The project has a strong external communication component, being used as secondary subject for Distribuție Oltenia media

trips and meetings with local authorities.

Electrician Apprentice targets young people from the company's operation area (counties in the southern part of Romania), who are interested in making a career in the energy sector and who, to this end, choose to follow their studies in one of vocational high schools enrolled in the program.

Students enrolled in the program enjoy, on a non-discriminatory basis, throughout their studies, the following benefits:

- Access to electrical laboratories, fully renovated and equipped with state-of-the-art technology;
- Practical internships in the company (2 weeks for 9th graders, 3 weeks for students in the 10th grade);
- Personal development opportunities (training and coaching workshops for their future employment on the labor market, participation in events with specialists from Distribuție Oltenia - Electrician Trophy, Open Days, etc);
- A chance to receive a performance scholarship, worth of 200 RON, in addition to state subsidies.

In the school year of 2016-2017, the program was implemented as a pilot in Pitești and Craiova, by creating a class of students in each high school (a total of 48 students were enrolled in the program).

During the pilot edition, employees from



Distribuție Oltenia contributed, as volunteering mentors, to the training of the pupils, by making public presentations on the energy topic. Moreover, they also accompanied the pupils during the practical stages when the pupils saw how the company's electricians were solving the day-by-day operations.

The key results registered in 2016 were the following:

- 3 partner high schools in Craiova and Pitești;
- 2 electrical laboratories fully refurbished and equipped with state-of-the-art equipment;
- 48 electrician apprentices in preparation for a (potential) future job in Distribuție Oltenia;
- 2 classes of students enrolled in the program;
- Over 50 individual scholarships awarded monthly in 2016-2017, semester 2;
- More than € 35,000 invested in project implementation.

The assessment of the 2016 pilot edition was generated after the consultations with all parties involved in the program. So, the pupils stated their personal satisfaction in connection with the personal development workshops, considering them an alternative and informal type of education, and also in connection with the practical internships, which they appreciated as an opportunity to interact with professionals in the field and to become familiar with the daily challenges of the electrician's job.

CHAPTER 7

The Energy we bring

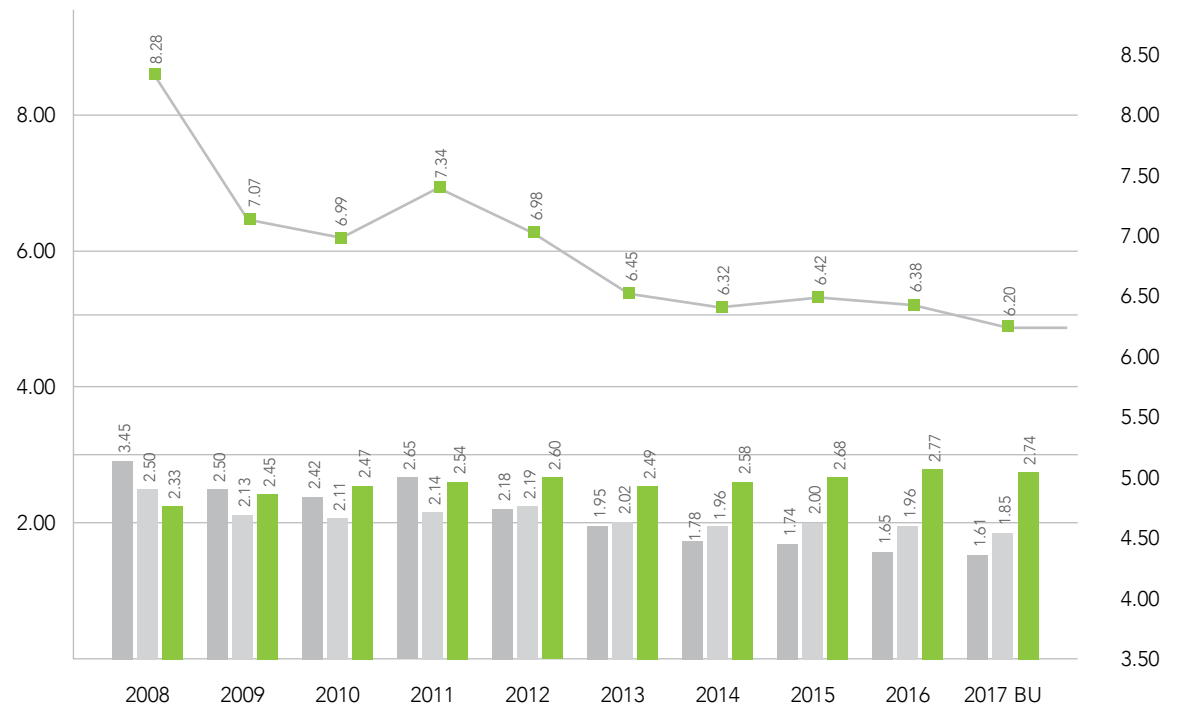




Efficient distribution, SMART Company

Market share for Distribuție Oltenia in 2015 was about 15 %, while in 2016 was estimated 14% considering distributed energy in Romania. According to an ANRE report from 2016, Distribuție Oltenia is the second top distribution operator, with 15.47% from total number of users.

The plans for energy distribution, broken down on voltage levels, in TWh, are as follows:



Distributed energy in TWh – Source: DEO



In 2016, Distribuție Oltenia implemented several projects to transform itself into a SMART company, reduce the losses in the electric power network and have the capacity to distribute the energy volumes it aims for. The company's efforts were rewarded at the Gala Romanian Energy Awards, when the company received two prizes: one for "The Initiative of the Year in Energy sector", and the other one "The Program of the Year for Energy Efficiency".

The performances achieved in 2016 (reduction of Own Technological Consumption to a historic level since the setting up of the company and the reduction of times for interruptions at less than half compared to the year 2012) were possible due to a management approach which combined two directions:

- The correlation of the maintenance plan with the needs of the network (procurement of new equipment and modernization of the installations);
- Identification and implementation of mechanisms meant to correctly redirect the investments and automation works made in the grids.

For this purpose, the following projects were launched and implemented: "Asset Management-Soft assets" and "Performance Standard Compliance-ADMS", which are followed by the project status reports and the evaluation/analysis in the Distribution Supervisory Committee (DSC).

The evaluation and the reporting are made on a monthly, quarterly and annual basis, by monitoring the investment and maintenance plans, including the recognition by ANRE of the program implementation, the modernization of the stations and their integration in SCADA (Supervisory Control and Data Acquisition – a computerized system commanding and monitoring the technological processes), reclosing and integration in SCADA. The SAIFI and SAIDI indicators (the average frequency of interruptions in the network and the average time of interruptions) are monitored quarterly and annually and their finalization is compared to the KPI (key performance indicators).



Smart Transformation

Considered to be “The Initiative of the Year in Energy sector”, the project SMART Transformation proposes a new business model in the sector of electricity distribution with optimum benefits for the client and operator:

- The distribution operator obtains more valuable data about the network and uses them more easily in making decisions, allocating more resources to the analysis and diminishing the time for the administration of physical documents;
- The client receives a distribution service of a higher quality, translated into: continuity in energy supply, isolation of malfunctions and limited technological and non-technological losses, reduced response time in the operator’s specific activities (connection, disconnection, reconnection, repairing faults and incidents, energy metering etc);
- Higher energy efficiency.

Initiated in 2016, the program represents an investment of over 95 million EUR from own resources, which will be implemented up to the year 2020 and which relies on a strong strategy of digitalization, automation and SMART technologies so as to obtain an adaptable network, more flexible to manage.

The first result of these modernizations is the reduction in 2016 of the time of interruptions to less than half compared to the year 2012. To provide the reliability and availability of the distribution network in areas of concession, Distribuție Oltenia plans to reduce the performance and continuity indicators (SAIFI and SAIDI) by the year 2020, when SAIDI is targeted to be lowered by approximately 25%, and SAIFI - by approximately 17%.



Reduction of losses in the network

Since 2013, Distribuție Oltenia has taken some measures in order to reduce losses in the network which had reached the absolute value of 1.28 TWh and 13.32% in relative value. In 2016, these total losses in the network reached the minimum historic value: below 1 TWh (10.20%). Therefore, the company diminished significantly the impact of the own technological consumption (CPT), and this has been acknowledged and acclaimed. The technical losses in the system, in relation with total losses, represented 85%, the balance of 15% being represented by the non-technological losses. On voltage levels, the lowest losses are at the HV and MV.

The benefits of Own Technological Consumption reduction from 13.32% to 10.20% is reflected, first and foremost, in the safety and the quality of the energy distributed to the consumer, in fewer interruptions in energy supply and in the creation of premises for more efficient investments and maintenance in the distribution network, without neglecting the optimization of resources.

These minimum historical values of the Own Technological Consumption are due to the own concept of making balances on network sub-zones and of local balances at level of

transformer post. Based on the information received from these balances, the investment and maintenance works were prioritized and directed to areas with high losses. A very important factor in this project was represented by the dedication of the implementation team. To this end, employees' motivational and rewarding campaigns were implemented together with a system measuring the individual performance, with indicators specific to the reduction of losses, applied to all the company's employees.

In the same time, the project of re-sealing and securing all metering units from the area of operations has been finalized and some specific measures with direct impact in the reduction of technical losses have been applied. Here are some of them: new technical policies, replacement and rotation of over 300 transformers each year, replacement of induction meters by electronic ones and voltage measurements and balancing.



The measures to increase energy efficiency implemented up to 2016 led to the energy savings below:

	2014	2015	2016
Planned energy saving (GWH)	21.16	38.98	40.8
Achieved energy saving (GWH)	24.72	40.21	31.1

The way in which Distribuție Oltenia reduced its losses in the network was rewarded with the prize offered for the "Program of the year for energy efficiency", also at the Gala Romanian Energy Awards.

CHAPTER 8

Care for the Environment





We respect the environment, we save energy

The protection of the environment represents one of the strategic directions of Distribuție Oltenia, with the economy of natural resources, reduction of energy and emissions and conservation of the environment being the living proof of our commitment in this direction. The global energy consumption is growing every year and this leads, indirectly, to a higher consumption of natural resources. This material aspect affects the company financially and with regard to the environment protection. The main energy consumers within the company are its administrative buildings and the energetic assets (the transformer stations, the power lines etc.)

In DEO, there is a division specialized in the administration of the electric power consumptions (DCPT/Division for Own Technological Consumption) and a department specialised in monitoring the consumptions for the administrative head-offices - The ACAIS Service from DSDA (ACAIS – Administration of Buildings, Assets, Intangibles, Pillar Rental).

Monitoring the energy consumptions is done through monthly balances and after having analysed the information, measures are taken for the reduction of consumptions, which then lower the Own Technological Consumption.

Every year, a management program is made for each separate direction in which the performance indicators are set, including for the reduction of energy consumption.

Last but not least, Distribuție Oltenia is certified for conformity with the requirements of the standard ISO 14001:2004 (a new certification is necessary only in November 2017). Also, Distribuție Oltenia allocates resources to train and inform the employees, suppliers and contractors upon its standards of environment protection. The Ethics Code for suppliers and the chapters dedicated to environment protection are part of the agreements concluded by the company and the suppliers.

Within the administrative headquarters, to monitor resource consumption and to encourage responsible behavior towards the environment among our employees, we apply the following measures:

- Reducing car emissions by encouraging video or teleconferencing, e-mail or carpool machines;
- Using electronic files and emails instead of printing on paper;
- Regularly informing employees about turning off the lights when leaving the workplace, closing the valves, shutting down the computers after the program hours and shutting down the



functional air conditioning systems during the summer;

- Setting of the heating boilers at ambient temperature of 18 degrees outside of the program hours;
- Replacement of non-performing air-conditioning equipments with other, more performant;
- Replacement of classical luminaires with LEDs;
- Mounting of reflective film on windows to buildings with large glazing to reduce electricity consumption during summer;
- Closing the thermostatic valves to the radiators in the unused rooms;
- Equipping lighting fixtures on building halls and outdoor parking with motion or twilight sensors;
- Optimize space usage.

In order to increase transport efficiency and to reduce its impact on the environment, the following measures have been implemented:

- reducing the number of cars in the carpool (20 Logan cars were layed off, resulting in a savings of approximately 88,000 Euro / year);
- optimization of fuel consumption by reducing the number of cars, monitoring the fitting of normal car use, GPS monitoring of the entire fleet;
- optimization of the personnel movement, implementation of the IT application - "Vehicle control in carpool".

Furthermore, Distribuție Oltenia has access to the two recharging stations, in Pitești and Craiova, within the e-Mobility project. All employees and customers of Distribuție Oltenia can recharge their electric cars at these stations without paying any fees.



Consumption of energy and resources inside and outside the company

The reports regarding consumptions of utilities are made on an yearly basis, as per the provisions of the law no. 160 from 2016 regarding some modifications of law 121 from 2014 for the efficiency of energy, a law which was adopted based on the provisions of the European Directive 2012/27/UE.

The collected data regarding the consumption of utilities in 2016 is as follows:

Year	TEP/ CONSUM	Thermal Energy (Gcal)	Electrical energy (MWh)	Natural gas (thousands mc)	Diesel (t)	Gasoline (t)	TOTAL tep	Water [mc]
2016	tep	74.066	93.012	90.798	690.615	0.000	948.491	13,862.98
	consumption	740.658	1,081.538	1,055.786	725.146	0.000	-	
2015	tep	94.426	27.303	85.807	621.307	0.000	1,541.751	14,933.080
	consumption	944.260	317.482	997.759	591.721	0.000	-	
2014	tep	73.545	638.660	94.913	671.377	0.000	1,478.498	17,247.00
	consumption	735.450	7,426.320	1,103.634	661.455	0.000	-	

The resource consumption indicators were calculated by reading the meter (in the case of energy/water/natural gas consumption) and by monitoring the fuel cards from OMW/Petrom, as used by the employees when fueling their cars.



Waste management

The activities carried out by the company generate waste materials and the Romanian as well as the European legislation in force set specific rules for the waste management. Considering this aspect, the company considered that the waste management represents a material aspect, a fact that was ratified by the consultation of stakeholders.

Hazardous and non-hazardous waste result from the activity carried out by Distribuție Oltenia. Their administration, starting from generation up to their elimination, is set in the "Operational Procedure – Waste management". In order to meet the specific legal requests with regard to waste management, Distribuție Oltenia issued a resolution setting the persons in charge with the waste management in the seven counties (Argeș, Dolj, Gorj, Mehedinți, Vâlcea, Olt, Teleorman). The persons in charge with the

waste management from each of the 7 counties are trained to the task, as per the provisions of the Law 211/2011 regarding the regime of wastes.

The storage of the power equipment withdrawn from installations is made on concrete platforms, equipped with hydrocarbon separators. Distribuție Oltenia owns 12 such platforms. For the waste generated in the counties of Argeș, Dolj, Gorj, Mehedinți, Vâlcea, Olt and Teleorman, Distribuție Oltenia has an agreement with the local supplier who weighs the waste materials, collects and then transports it to the waste hole or makes the waste materialization through R12.

The main indicators regarding the waste management at level of the company are the following:

Company	Year	Quantity of generated waste				Quantity of materialized/eliminated waste				
		Total generated waste [kg]	Hazardous waste		Non-hazardous waste		Hazardous waste which was eliminated/materialized		Non-hazardous materialized waste	
			Quantity [kg]	Percentage of total generated quantity [%]	Quantity [kg]	Percentage of total generated quantity [%]	Quantity [kg]	Percentage of total generated quantity [%]	Quantity [kg]	Percentage of total generated quantity [%]
DEO	2016	1068957	32128	3.01%	1036824	96.99%	32128	100.00%	1036824	100.00%



The control of waste management conformity to legal provisions is made through the following methods: external audits (conducted by ISO certifying organizations, third party auditors, local authorities) or internal audits (conducted by internal specialized departments), as per the provisions of Law 211/2011. Each internal or external audit is concluded with an audit report including the observations, nonconformities or opportunities for improvement. In the year of 2016, after the performed audits, no nonconformity was found in relation with the modality used to manage waste.

Management of effluents (used waters)

The consumption of natural resources is one of the key factors for a long-term development and for this reason, the company has identified a major issue is the management of used water and the consultation with stakeholders confirmed this to be a material aspect.

In Distribuție Oltenia, during 2016, the used water had two sources: administrative buildings and stations of supply. The main head-quarters and part of the sub-stations are supplied with water from the public network. In some sub-stations, where there is no public network, water

is drawn-off in all networks (public or fountain), the quantity of water is measured and a fee is paid to the city water company or to the water administration (based on the water source to be used).

Every year statistics are created regarding the global consumption of supplied water and of residual water. Based on the results, measures for the reduction of consumption are taken.

The main indicators regarding the used water management in Distribuție Oltenia are:

Total volume of used and discharged water 5547 cbm

Destination of used water

Public sewerage system

Water quality and method to treat it

The water quality is monitored by the water supplier. Water treatment is made by the municipality.

Reusing water by the company

N/A

The total volume of used water is established by subtracting the quantity of supplied water (monitored with a water meter) from the quantity of water taken from the network.



Environment protection

The environment protection is a condition to authorize the activity of the company and its non-observance may have a major impact upon our operations. Beside the mandatory character imposed by the law, the environment protection is an aspect that we want to follow up with full responsibility in all our activities, given its importance for the community, for our employees and for the future generations we hope to service.

In order to reach high performance related to the environment, Distribuție Oltenia took the following measures in 2016:

- Modernization of 4 transformer stations;
- Periodical maintenance of the power equipment to avoid accidental pollution;
- Closing down 3 inactive power installations of Distribuție Oltenia and bringing the lands to the initial condition;
- Centralization and monitoring equipment with SF6 at level of Distribuție Oltenia including their periodical maintenance;
- Maintenance of a permanent stock of 100% bio-degradable absorbing material for all transformer stations of 110 kV/ 20 kV;
- Maintenance of water administration licenses for the sources of water supply from the transformer stations (50 different locations);

- Delivery of waste generated to one PE for the 7 counties where Distribuție Oltenia performs its activities;
- Observance of the environment legislation and operational procedures in force;
- Installation of 82 stork nests on the MV pillars from Mehedinți, Argeș, Dolj, Teleorman and Vâlcea counties;
- Opening a bank account to incur expenses with the environment, to be budgeted every year.

Distribuție Oltenia makes other investments too, with an indirect favourable impact over the environment. To this end, the following activities can be enumerated:

- Procurement of power equipment of last generation which reduce the technological losses and, consequently, the consumption of natural resources;
- The procurement of bio-degradable products or of products made of recyclable materials (ex. paper, absorbing materials, sanitary products etc);
- Implementation of the best available technical solutions to the works of investment (eg. modernization of transformer stations, LEA, PT).



The way in which expenses with environment protection were made is verified by all specialized departments of the company.

In 2016, the total investments for the protection of environment were of 890846 RON, of which: expenses with services for protection of environment in amount of 501955.47 RON; net/new investment for the environment protection are in amount of 377105.22 RON.

Expenses for environment protection	Distribuție Oltenia
Waste collection	161 160 RON
Treatment of emissions	0
Costs to remedy the impact on the environment	890 846 RON
Prevention of the negative impact on the environment	0

All operations are carried out in accordance with the law, with the necessary approvals. During 2016, no complaints, fines or other sanctions were filed against the company for violations of environmental legislation or accidental pollution.

In 2017, Distribuție Oltenia has set its goal to increase environmental performance by aligning it to SR EN ISO 14001: 2015, a quality standard that involves the integration of environmental issues into the strategic planning of the company's activities. By aligning with this standard, we aim for results such as:

- Better identification of the environmental impact of the company, thought throughout the lifecycle of each service, from development to end-use;
- Planning environmental protection in a proactive manner, rather than reactive;
- Environmental protection initiatives in consensus with the strategic direction of the organization;
- Greater commitment from top management to environmental protection actions;
- Developing a communication strategy on environmental protection.



Protection of biodiversity

In the operations area of Distribuție Oltenia there are few Natura 2000 protected areas, classified as such on the basis of national/ European regulations.

To improve the preservation of the fauna in the area (specifically the protected species of birds), we have taken the following actions:

- We placed 82 nests for the white stork on the MV pillars from the counties of Olt, Gorj, Dolj, Mehedinți, Argeș, Vâlcea and Teleorman – the power lines represent a risk for the big-size birds (especially the white stork, a category of birds which is protected in Europe); when designing the low and medium voltage lines or when the existing lines are modernized, the distribution operator takes into consideration measures to protect wild birds, mainly by placing nests there where birds stop to rest;
- We studied the possibility of accessing the program LIFE in order to finalize an eligible project including bird protection activities;
- In the tender books for the works carried out in protected areas, we've included conditions which are specific to the protection of biodiversity (as per the regulations in force).

As for the impact that the distribution network has over the vegetation in the operation

area, in order to maintain the safety corridor, respectively for the installation of overhead lines, we perform periodical deforestation works. The distribution operator plans the deforestation works based on the notifications received from the intervention personnel and as per the Electricity Law, which is specifically providing that a safety corridor should exist, with a width between 24 and 81 m, according to the voltage values of the lines (1 kV - 750 kV).

The main goal of these actions is to remove the excessive vegetation, to prevent fires, the material or human damages and to eliminate the lack of comfort caused by interruptions.

The restrained access to private properties or the unfavourable weather conditions are among the reasons for which this plan is not fully accomplished or it is postponed. That is why in 2016 we had:

- Approximately 30 collective power deficiencies which, as identified by the operating teams, were caused by the vegetation growing in excess between the power lines or by trees fallen over the power network;
- Approximately 2200 individual troubles caused by the vegetation grown inside the safety corridors.



In 2016, in the area of operations of Distribuție Oltenia, there were no activities affecting the natural zones under protection, and there were no notifications/penalties received in relation to this. Distribuție Oltenia has no data related to the impact over the flora in the protected areas, but it plans to investigate in detail this aspect for the following sustainability report. Also, in lack of a working methodology, in 2016, there was no comparative analysis of biodiversity values in protected areas versus offset areas, but such analyzes are possible in the future.

CHAPTER 9

Good governance





Governance structure

Distribuție Oltenia is a share-holding company administered by a Management Board formed of:

Company	Directors/Administrators
Distribuție Oltenia S.A.	Ion Dobrescu - chairman
	Martin Zmelik
	Doina Vornicu
	Eugen Butoarcă
	Cristinel Tiță

At the time when he took over the mandate (February 2016), Mr. Ion Dobrescu replaced Mr. Zdenek Obruca in the position of Chairman of the Board of Directors. His over 30 years' experience in the energy sector has brought to Mr. Dobrescu numerous key-management positions at SDFEE Olt, SDFEE Ramnicu Vâlcea and CEZ Distribuție (2007).

The promotion of Mr. Ion Dobrescu was accompanied by the appointment of Mr. Eugen Butoarcă as an Executive Director of the company in February, the same year. In the 2014-2016 period, Mr. Eugen Butoarcă contributed significantly to the reduction of the technical and commercial losses of CEZ Distribuție in its area of operations. His previous experience in CEZ Group in Romania included the setting up and optimization of the Customer Care Service as well as several other strategic projects during the transformation of former Electrica Oltenia.

The declared mission of the company's management team continues to be the optimization of the power network, loss reduction and client satisfaction.

The members of the management team are publicly presented on the company website – www.distributieoltenia.ro - in the "About us" section.



The company Distribuție Oltenia is governed by the General Meeting of Shareholders and is managed by a Management Board, whose activity is monitored by the Supervisory Board. Specifically, the 3 structures have the following attributions:

Management board	Supervisory Board	General Meeting of Shareholders
<ul style="list-style-type: none">- It is the statutory body leading the company's activities, acting in the name of the company and representing the company as per the stipulations from the constitutive act;- Decides upon all aspects regarding the company, with the exception of those which are in the exclusive competence of the General Assembly of Shareholders or of the Supervisory Board, as per the law and the constitutive act.	<ul style="list-style-type: none">- Has the permanent control on the way in which the company is led by the Board of Directors;- Cannot have attributions linked to the management of the company but can stipulate that certain types of operations cannot be done without the approval of the Supervisory Board, such as: conclusion of agreements over a certain limit; establishment of the organizational structure and number of positions; setting up and cancelling secondary head-offices; revision of the company's quarterly results.	<ul style="list-style-type: none">- Represents the supreme body for the management of the company;- Decides the business strategy and economic policy;- The General Assemblies of Shareholders are either ordinary or extraordinary;- The Ordinary Assemblies are organized at least once a year and decide on: choosing or revoking the members of the Supervisory Boards; approve the annual financial situations; set the company's strategy; approve the budget and the annual operation plans; appoint and revoke the financial auditor;- The Extraordinary Assembly is organized whenever it is necessary to make a decision to: modify the object of activity; increase or reduce the share capital; conclude acts whose value exceeds half of the accounting value of company's assets.



Values and principles

Distribuție Oltenia shares the values and principles of the CEZ Group, as defined before the company's separation through the unbundling procedure.

Thus, the value points that guide the activity of Distribuție Oltenia are:



SAFETY

Safety is our priority and we behave accordingly.



PERFORMANCE

Safety is our priority and we behave accordingly.



INNOVATION

Safety is our priority and we behave accordingly.



PROFESSIONALISM

In order to maintain our capacity of being competitive we must permanently develop our knowledge and share it with the others



COLLABORATION

Collaboration, trust and respect are important for our success.



Starting from 2016, Distribuție Oltenia has initiated, developed and implemented a new compliance system which values all the above-mentioned principles and transposes them into norms of ethics and integrity, assimilated and respected by all of its employees and partners.

The following instruments/measures related to compliance/integrity were developed for the employees:

- Implementation of the Ethics and Integrity Code (phone line and e-mail address “Speak freely”; alternative channels for warning on non-compliance – web applications for intranet and website, which provide anonymity of the reporting person and, in the case of the web application, ensure criptation of the transmitted information);
- Implementation of the Investigative Methodology on Integrity Warnings;
- Introduction of the Commitment Declaration for Employees on Conflicts of Interest under the Internal Regulation;
- Risk Matrix - interviews with the company management and assessment conducted by Kinstelar (2016), partner of CEZ, a., within an international compliance assurance project;
- Set-up of a “Compliance” section on the Intranet, where all information/bulletins and ExpressTraining support materials (developed by the Compliance Department) are posted and made available to all employees for further information / consultation;
- Implementation of the system enabling the:

- o Monitoring/checking of warnings related to integrity;
- o Monitoring of inspections conducted by authorities;
- o Testing of the “Speak freely” reporting system, identifying aspects to be improved and solution for their remedy;
- o Periodical (quarterly) and/or ad-hoc reporting – under the frame of Corporate Compliance project - to CEZ,a.s.;
- Involvement in discipline investigations – at the request of the management, as the case may be;
- Involvement in internal/international projects (ex. Compliance, GDPR);
- Collaboration with the IT Security officer in order to apply risk mitigation measures and to monitor the fraud attempts (phishing/scam type);
- Periodical participation at operational/AMMR meetings, as the case may be.

The training program for employees included the following measures:

- Periodical training dedicated to compliance officers/responsibles;
- Development of a fast-track information system for employees (Express Training, Compliance Newsletter, Conformity Brochure) by means of which the employees receive information and training materials related to important aspects which could expose the employees/the company to risks;
- Delivery of training sessions for employees



(2016-2017), regarding the implementation of the main compliance instruments, as developed for Distribuție Oltenia (Codes of Conduct and Ethics, Compliance manual, policies regarding conflicts of interest, the anticorruption policy, the whistleblowing system "Speak freely", the response protocol in the case of inspections made by authorities etc);

- Provision of on-going training: the participation of compliance officers/responsible to conferences/training courses pertinent to compliance and other related topics (ex. corporate governance and risk management, fight against frauds, data protection).

To ensure the appropriation of ethics and integrity principles by clients and suppliers, the following measures have been implemented:

- Development of a Code of Conduct for Suppliers – a documents setting the company's expectations towards its own partners with regard to the ethical approach on matters such as: human rights, non-discrimination and equal chance for employees, health and safety, the protection of environment etc.;
- Revision of tender books and addition of contract clauses referring to the observance of the Code;
- Implementation and transmission to the suppliers of the Protocol for adhering to the Code of Conduct for Suppliers;
- Meetings and discussions with the most important suppliers with regard to the

implementation of a new Code of Conduct for Clients;

- Development of a Declaration regarding Code of Conduct for Clients;
- Revision and addition of contract clauses referring to the observance of compliance with the ethical values of Distribuție Oltenia;
- Set-up of a dedicated web section for partners/third parties/employees, enabling them to access the Codes of conduct and ethics for employees, suppliers and clients (as the case may be) and learn more about the whistleblowing channels.

All these have been implemented in order to develop a strong organizational culture of ethics compliance, which brought an added value to the on-going activities, on one hand, and to the perceived integrity of the company, on the other hand.



Measures for the provision of compliance and corruption control

Anti-corruption measures

Distribuție Oltenia is promoting a policy of zero-tolerance regarding corruption and asks all its employees to always act with honesty and integrity, to protect all resources they receive and make no abuse of the position they have. It is the responsibility of each employee, irrespective of his/her position within the company, to contribute to the creation of an environment which discourages corruption.

The compliance with the laws, rules, ethical and professional standards – applicable both generally and particularly for each sector – represents a main obligation for the company's entire personnel and is regarded as part of the day-by-day responsibilities. All staff, including the management of Distribuție Oltenia, adheres to these principles.

The new system of compliance applied in 2016 has provided to the employees the main instruments related to compliance, such as: Codes of Ethics and Conduct, whistleblowing policy and other specific policies, compliance risk assessment, training package on ethics

tailored for employees.

The action protocol for the eventuality when corruption deeds are signalled within the company was set as follows:

- Any incident is immediately reported by the employees to the Compliance Department/ Responsible, as well as to the relevant organizational structures;
- Employees who have information and/ or suspect potential facts of corruption regarding another employee, a third party or a counterparty in their relation with DEO, can denounce these incidents using the "Speak freely" system.

Two types of reporting channels to fight against corruption were implemented:

- Alternative channels of internal communication for people reporting on integrity issues ("Speak freely" system), which are safe and confidential instruments used to inform the Compliance Department/ Responsible about suspicion and/or acts of corruption;
- Web applications of the "Speak freely" system, which can be accessed by the



employees/partners/third parties (as the case may be), both on the intranet and on the website, with provision of anonymity for the reporting person.

Employees' appropriation of principles, policies and procedures against corruption was ensured through constant communication on this topic and through proper training.

In 2016, the employees received a total number of 8 newsletters by which they were informed about: the compliance responsible, appointed within the company; the implementation of some policies regarding the conflicts of interests and corruption; the role of the newsletters about compliance and the role of the Express Training programs; the whistleblowing channels; the essential information to keep in mind with regard to corruption, attempts of phishing a.s.o.

The Express Training has been delivered up to the top management level. In this way, the employees attended one-to-one training sessions regarding: Behaviour and Ethics Codes, Policy on Conflicts of Interests, Anticorruption policy, the importance of using the whistleblowing channels and their role in fighting corruption. 86% of the employees were trained (1060 trained persons out of 1228).

The entire process of communication and training on topics regarding compliance and anticorruption was initiated in the third quarter of the year 2016 and has been finalized in the first quarter of the year 2017. The total number of persons informed and/or trained to implement the procedures against corruption is presented in the table below:

	Total number
Members of the management structures who were informed about the organization's anticorruption policies and procedures	5 – 100%
Members of the management structures who received training about the organization's anticorruption policies and procedures	5 – 100%
Employees who had been informed about the company's anticorruption policies and procedures	1228 – 100%
Employees who attended trainings about the organization's anticorruption policies and procedures	1060 - 86.39%
Business partners who received information about the organization's anticorruption policies and procedures	34 -100%



The annual evaluation for the year 2016 was made by CEZ, a.s., in collaboration with Kinstelar, based on interviews (the evaluation and processing of data which had been obtained were based on the principle of confidentiality).

The following instruments were created and/or used for this purpose:

- List of interviewed top managers;
- Questionnaires with the matrix of risks.

The results of the annual evaluation did not highlight any high risk of corruption. However, they imposed the necessity of developing and implementing the anticorruption/anti-bribery policies in 2017 too. The Compliance Department had issued and implemented this policy since 2016. Later on, in 2017, it was sent for analysis to CEZ, a.s. After having been analysed, the quality of the anticorruption policies implemented at company level was declared as being irreproachable. We mention that in the year 2016, we had no unconformity in relation with the anticorruption policies and Distribuție Oltenia wasn't and isn't involved in any legal dispute related to corruption and neither did it receive any sanction on this subject.



Annex 1. GRI Content Index



GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the company. When this is the case, we're inserting down below the direct links to the publications.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
STRATEGY AND ANALYSIS		
G4-1	4	
ORGANIZATIONAL PROFILE		
G4-3	16	
G4-4	17, 45	
G4-5	17	
G4-6	16	
G4-7	17, 21	
G4-8	17, 44	
G4-9	17,18	
G4-10	61	
G4-11	63	
G4-12	46	
G4-13	46	
G4-14	47	
G4-15	21	
G4-16	21	



General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the company. When this is the case, we're inserting down below the direct links to the publications.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
EU-1	17, 47	
EU-2	18, 48	
EU-3	17, 44	
EU-4	17	
EU-5	Not applicable.	
G4-10+	63	
G4-11+	63	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	24, 32 Detailed financial results registered by the company Distribuție Oltenia in 2016 can be accessed at the address http://www.mfinante.ro/infocodfiscal.html using CUI 14491102.	
G4-18	32	
G4-19	34, 35	
G4-20	38, 39	
G4-21	38, 39	
G4-22	This is our first sustainability report. We have registered no significant change against a similar report, therefore no restatement is required	
G4-23	This is our first sustainability report. We have registered no significant change against a similar report, therefore no restatement is required	
STAKEHOLDER ENGAGEMENT		
G4-24	33, 36, 37	
G4-25	32, 36, 37	



General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the company. When this is the case, we're inserting down below the direct links to the publications.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
G4-26	34, 40, 41	
G4-27	36, 37, 40, 41	
REPORT PROFILE		
G4-28	42	
G4-29	24, 42	
G4-30	24, 42	
G4-31	42	
G4-32	24, 42	
G4-33	This report has not been externally assured. However, the management team analyzes the opportunity of such a process in the future.	
GOVERNANCE		
G4-34	21, 102, 103	
ETHICS AND INTEGRITY		
G4-56	104	



SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	External Assurance
CATEGORY: ECONOMIC				
MATERIAL ASPECT: PROCUREMENT PRACTICES				
G4-DMA	46			
G4-EC9	46			
CATEGORY: ENVIRONMENTAL				
MATERIAL ASPECT: ENERGY				
G4-DMA	92-94			
G4-EN3	94			
G4-EN4	94			
G4-EN6	90, 94			
MATERIAL ASPECT: EFFLUENTS AND WASTE				
G4-DMA	95-96			
G4-EN22	96			
G4-EN23	95			
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	97-98			
G4-EN29	98			
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G4-DMA	98			
G4-EN31	98			
MATERIAL ASPECT: BIODIVERSITY				
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DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	External Assurance
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
MATERIAL ASPECT: EMPLOYMENT				
G4-DMA	60-67			
G4-LA1	63, 64, 65			
G4-LA3	67			
G4-DMA	67-68			
EU-15	68			
EU-17	63			
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MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4-DMA	72-76			
G4-LA5	75, 76			
G4-LA6	74			
G4-LA8	75, 76			
MATERIAL ASPECT: TRAINING AND EDUCATION				
G4-DMA	69-74			
G4-LA9	69			
G4-LA10	70			
G4-LA11	71			
SUB-CATEGORY: HUMAN RIGHTS				
MATERIAL ASPECT: NON-DISCRIMINATION				
G4-DMA	60			
G4-HR3	60			



DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	External Assurance
SUB-CATEGORY: SOCIETY				
MATERIAL ASPECT: LOCAL COMMUNITIES				
G4-DMA	81-84			
G4-SO1	81-84			
G4-DMA	80			
EU-22	80			
MATERIAL ASPECT: ANTI-CORRUPTION				
G4-DMA	104-109			
G4-SO4	105, 107, 108			
G4-SO5	109			
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
MATERIAL ASPECT: CUSTOMER PRIVACY				
G4-DMA	58			
G4-PR8	58			



SPECIFIC STANDARD DISCLOSURES - Sector Electric Utilities

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	External Assurance
ASPECT: AVAILABILITY AND RELIABILITY				
G4-DMA	86-90			
EU-10	86, 88			
ASPECT: SYSTEM EFFICIENCY				
EU-12	89			
ASPECT: CUSTOMER HEALTH AND SAFETY				
EU-25	57			
ASPECT: ACCESS				
G4-DMA	45-56			
EU-26	49, 79			
EU-27	51			
EU-28	48			
EU-29	48			



Annex 2. Glossary of terms and definitions

Abbreviation	Title	Definition
ACAIS	Administration of Fixed Assets and Pillar Rental Service	
ACUE	Federation of Associations of Energy Utility Companies	ACUE Federation is a representative organization at the level of the energy, oil, gas and mining sector, representing the interests of important companies from the field of energy and gas production, distribution and supply, as well as other related services.
ANRE	Romanian Energy Regulatory Authority	
	Aspect	The word "Aspect" is used in guidelines to reference the topic list included in the report.
	Material Aspect	The elements that reflect the significant economic, environmental or social impacts of the organization; or the ones that significantly influence stakeholders' decisions and evaluations. In order to determine whether an aspect is material, quantitative discussions and evaluations, as well as qualitative analyses are necessary.
	Connecting, disconnecting	The action of connecting/disconnecting a distribution network from the secondary circuit with an energy consumer.
	Call Back	Represents a call center service destined to customers who wait in queue for a certain period of time or who chose an option that allows them to be re-called at a later time, either automatically, through the telephone switchboard, or manually, by the call center agents.
	Installed capacity	The maximum flux, expressed in volume over time or in energy over time, that the network user is entitled to, according to contract clauses.
CEO	Chief Executive Officer	
	Green Certificates	Title that attests energy production from renewable sources.
	Eligible clients	The client that is free to conclude an energy and/or gas contract from a chosen supplier.



Abbreviation	Title	Definition
	Final residential client	Any client that concludes a supply contract for energy or gas aimed at its own residential consumption, excluding commercial or professional consumption.
	Final non-residential client	Any legal person that buys energy that is not destined for its own residential consumption; this category includes energy producers, network operators and wholesale customers.
	Industrial client	The final non-residential client whose estimated annual gas/energy consumption is at least 450.000 MWh; exception: cogeneration plants with an installed power of over 10 MW, producing energy destined for SACET, and that are considered industrial clients no matter their level of consumption.
	Non-residential customers	The client that buys energy/gas that is destined to an economic activity, not to its own residential consumption.
	Vulnerable client	Final customer from a residential client category that, from age, health or low income reasons, is at risk of social discrimination and that, in order to prevent this risk, benefits from social protection measures, including financial ones. The social protection measures and eligibility criteria are established through normative acts.
	Residential consumers	Consumers that use energy for their own consumption, exclusively for lighting and electric appliances.
	Industrial consumer	The consumer who uses electricity mainly in the field of raw material extraction, the manufacture of materials or the processing of raw materials, materials or agricultural products in means of production or consumer goods. Construction sites, pumping stations, including those for irrigation, rail, road, naval and air transport units, and others alike, are considered industrial consumers.
	Smart meter	A power measuring meter with built-in electronic processor and networking capabilities that combines electronic metering with a programmable communication terminal and can interact with multiple networks and devices.
	Collective employment agreement	The collective employment agreement represents a written consensus between employer and employees, represented by unions or by other means directed by the law, that establishes work-related clauses, payment, as well as other rights and duties determined by work dynamics.



Abbreviation	Title	Definition
	Individual employment contract	The individual employment contract is a contract dictating that a natural person (employee) is required to work for a certain employer (natural or legal person), in exchange for a remuneration (salary).
COO	Chief Operational Officer	
CPT	Own Technological Consumption	The difference between the electricity at the input and output of the electric network, representing the energy loss in the composing elements of the network.
CRC	Customer Relationship Centers	
CSR	Corporate Social Responsibility	
CSSM	Occupational Health and Safety Committee	Ensures employees' involvement in elaborating and implementing the occupational health and safety decisions.
DCPT	Direction for Own Technological Consumption	Has the role to plan, implement and monitor the program for energy loss reduction, to manage the energy that enters, transits and is consumed within DEO.
DEO, DO	Distribuție Energie Oltenia/ Distribuție Oltenia (former CEZ Distribution SA)	
	Distributor	Any person that owns a network distribution and is responsible for the exploiting, maintenance and, if necessary, the development of the network in a certain area, for its connection with other systems (if applicable), as well as for ensuring its long term capacity to reach a proper level of energy distribution.
DSC	Distribution Steering Committee	Represents the decision factor responsible for monitoring the initiatives and projects (approved by the local LSC) at the level of DEO.
EIP	Individual Protection Equipment	
	Gross energy	Total amount of energy, including energy losses. (In case it refers to the production of energy, it represents the total amount that was produced, including the energy necessary for internal consumption).
	Green energy	Energy obtained from renewable and clean sources.
EURELECTRIC	EURELECTRIC	Association for the entire electric industry in the EU (http://www.eurelectric.org/)



Abbreviation	Title	Definition
	General Standard Disclosure	Represent the elements/chapters within the Sustainability Report that provide a description of the organization and of the reporting process.
	Specific Standard Disclosure	Represent the elements/ chapters of the Sustainability Report that provide information related to the organization's management approach and the performance of the organization's material aspects.
	Capacity factor	Compares the actual energy production during a certain period of time with the maximum theoretical production for the same period.
	Availability factor	The percentage that reflects the probability of a device to be functional at a certain moment in time.
	Focus Group	The focus group represents a qualitative research method consisting in a discussion on a given topic with a group usually made up of 8-10 participants, for 1-2 hours.
	Front Office	The operations in this category represent the direct interactions with the client.
	Competitive Supplier	A supplier that competes on the concurrent market by selling energy/gas to eligible consumers for a price that has been negotiated through a contract.
	Supplier	It runs the activity of supplying energy/gas.
GRI	Global Reporting Initiative	Represents an international independent framework that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption.
GRI G4	Global Reporting Initiative G4	Sustainability Reporting Guidelines by GRI
	Impact	If not stated otherwise, the term "impact" refers to a significant economic, environmental or social impact that can be: positive, negative, real, potential, on the short term, on the long term, direct, indirect, with or without intention.
IT	High Voltage power lines/ network	
JT	Low voltage power lines/network	



Abbreviation	Title	Definition
LEA	Overhead power line	Overhead installation for the transportation and distribution of electricity, consisting of conductors, insulators, climate, reinforcements, poles, floods and earthing installations.
	Consumption chain	Ensures the route of electricity from the producer to the final consumer.
	Aspect boundary	It refers to the identification and description of the place where the impact for every material aspect is present. For establishing an aspect boundary, an organization should take into account the impacts from inside and outside the organization. Aspect boundaries vary from a reported aspect to another.
	Consumption area	A location or area where there is consumption through only one installation and the energy is supplied through one or more connection installations. A consumer can have one or more consumption areas in different areas/locations or in the same area/location.
MT	Medium voltage power lines/ network	
	Electrical Distribution Operator	Any person that owns a network distribution and is responsible for the exploiting, maintenance and, if necessary, the development of the network in a certain area, for its connection with other systems (if applicable), as well as for ensuring its long term capacity to reach a proper level of energy distribution.
PE/BM	Balancing Market	The centralized organized market, managed by the System Transportation Operator to collect the balancing energy delivery offers conveyed by the participants in the balancing market and to use them to ensure the safety and stability in functioning of the National Energy System and to fix network restrictions.
	Reporting Principles	Concepts that describe the conclusion followed by a report and that guide the decisions taken during the reporting process, such as which indicators are considered relevant and how to answer them.
	Annual gross production	Annual quantity of produced energy, measured at the generator terminals.



Abbreviation	Title	Definition
PT	Transformation Post	National Energy System elements used to ensure changes in voltage from MT (20 and 6 kV) to 0.4 kV for supplying consumers (residential, industrial, etc.) - vezi Substatie de Transformare /see Transformation Substation
	Charging Point	Medium voltage connection station, powered from the 110/ MV transformation stations through direct lines, used for the MV distribution towards the transformation points in a certain area through various MV lines called distributors.
	Electrical Substation	An electrical substation is a small, downwards transformation station with a power of up to 2500 Kva, destined for powering consumers at low voltage (up to 1 kV).
SAIDI	System Average Interruption Duration Index	
SAIFI	System Average Interruption Frequency Index	
SCADA	Supervisory Control and Data Acquisition	Information system for monitoring, ordering and acquiring data of a technological process / installation.
	Scope	The structure of the aspects included in the report. The structure of the Report, specific to each organizations and that was determined according to the reporting standard.
SU/US	Universal Service	Energy supply service for residential and non-residential clients with less than 50 employees and an annual business figure that doesn't exceed 10 million EUR, at reasonable quality level and prices, transparent, easily comparable and nondiscriminatory.
SF6	Sulfur hexafluoride	
SSM	Occupational Health and Safety	Activities that aim to ensure the proper working condition, health and physical integrity of workers and other individuals involved in the work process.
SSM&PSI	Occupational Health and Safety & Fire Prevention	
	Stakeholders	Entities or individuals that can be significantly impacted by activities, products and services of the organization; and whose action can impact the organization's ability to successfully apply its strategies and reach its objectives.



Abbreviation	Title	Definition
	Conversion station	Electric installation that ensures the transfer from direct current to alternating current and viceversa.
	Main Transformation Station	Electrical installation that transfers electricity between two networks with different voltages.
	Brand Studies	Studies regarding company reputation among customers that measure their attachment to the company, its products and services in order to establish the consumer perceptions on the brand features.
	Topic	Used within the standard to define any potential sustainability topic.
	Transformation substation	National Energy System elements used to ensure changes in voltage from MT (20 and 6 kV) to 0.4 kV for supplying consumers (residential, industrial, etc.).
	Regulatory fares	Prices (called fare components) for active energy and, depending on case, for booking or subscription, applied until 31 December 2017 by the suppliers of the residential clients that did not appeal to their eligibility.
	Unbundling	Legal dispositions related to the market liberalization process, ensuring that the integrated operators do not discriminate against the newcomers or create any barriers to a new company willing to enter the market.
	Circulated energy volume	The amount of energy in the electrical network, including the transitional energy and energy losses.
	Distributed energy volume	The amount of energy distributed through the distribution networks from the transportation networks towards consumers' installations.
	Activation area	Geographic area granted to an energy distributor by the ANRE for energy distribution.
	Speak Freely	Online system for nonconformity reports from employees and other interested third parties. Represents a secure, anonymous communication channel for employees to submit any action/behavior/incident related to fraud or breaking of the law, collective employment agreement, Ethical Code and other internal company policies.

