

REMUNERATION POLICY

**Of the members of the Board of Directors, of the Audit and Risk Committee,
members and of the CEO's**

ELECTROMAGNETICA S.A.

Applicable also to its subsidiaries

PROCETEL S.A.

ELECTROMAGNETICA PRETSERV S.R.L.

ELECTROMAGNETICA FIRE S.R.L.

I. DEFINITIONS

Officer	in a unitary management system is a member of the Board of Directors and a CEO of the company respectively;
Executive Officer	directors, including the General Manager and Deputy General Manager
Non-Executive Officer	members of the Board of Directors who are not simultaneously also CEOs of the same company;
Board of Directors	the corporate body consisting of the directors of the company in the unitary system of management
Manager	the person who performs management duties of the company in the unitary management system, as referred to in Article 143 (1) and (5) of Company Law No. 31/1990;
Subsidiary	an entity controlled by a parent, including any subsidiary of the parent that controls them, including any subsidiary of a subsidiary of the parent that controls them; the parent company together with its subsidiaries;
Group	Law No 24/2017 on issuers of financial instruments and market operations;
Issuer Law	the period during which performance is assessed and measured for the purpose of determining variable remuneration;
Performance period	payments related to the early termination of a contract at the initiative of the company for cases not related to the culpable non-performance of the Officer's obligations;
Compensation payment	document reflecting the implementation of the remuneration policy for the year ended and showing the actual remuneration received by the Officers;
Remuneration report	payment received by the Officer for services rendered to the Company;
Remuneration	the part of the total remuneration that is not directly related to the performance of the work;
Fixed remuneration	the part of the total remuneration that is performance-related and/or discretionary
Variable remuneration	Romanian legal entities having their registered office in Romania and whose shares are admitted to trading on a regulated market located or operating in an EU Member State or whose securities are admitted to trading on a multilateral trading facility (e.g.: AeRO), as these companies are indicated in Art. 1(1) and (2) of Law no. 24/2017 on issuers of financial instruments and market operations.
Listed company/Issuer	

II. BACKGROUND

On 29 July 2020, Law no. 158/2020 was published in the Official Gazette of Romania amending Law no. 24/2017 on issuers of financial instruments and market operations. This law transposes Directive (EU) 2017/828 on the encouragement of long-term shareholder engagement into national law.

The provisions on the remuneration of Officers entered into force 30 days after publication, i.e. on 28 August 2020. Companies had 12 months from the entry into force of the law (until 28 August 2021) to comply with the new requirements. Failure to comply will be punished with fines from RON 15,000 to the higher of RON 45,000,000 or 5% of total annual turnover according to the latest available annual financial statements.

III. PURPOSE

The purpose of the policy is to ensure uniform and improved implementation of the requirements of Law No 24/2017 on issuers of financial instruments and market operations. At the same time, the approach aims to bring it into line with the provisions of the Articles of Association as amended by the extraordinary general meeting of 3 July 2023.

The remuneration policy describes the general framework and basic principles for determining fixed and variable remuneration.

The application of the remuneration policy aims at consistency between remuneration and the business strategy, risk policy, values and long-term objectives of ELECTROMAGNETICA S.A.

By applying the remuneration policy, ELECTROMAGNETICA S.A. aims to attract management/administration people with the highest professional, educational and moral level, motivate and encourage them so as to optimize individual and collective performance, strengthen a culture based on the objective assessment of everyone's contribution and reward performance, ensuring consistency between remuneration and business strategy, risk policy, values and long-term objectives of the company, policy on the company's employees (creation of new jobs, ensuring the salary negotiated between the parties, etc.).

IV. REGULATORY FRAMEWORK

The policy has been developed in accordance with:

- (EU) Directive 2017/828 on encouraging long-term shareholder engagement;
- Company Law 31/1990;
- Law No 24/2017 on issuers of financial instruments and market operations;
- Law No 158/2020 amending Law No 24/2017;
- Law No 126/2018 on markets in financial instruments;
- Bucharest Stock Exchange Code of Corporate Governance;
- Regulation No 5/2018 on issuers of financial instruments and market operations;
- The management contract approved by the General Meeting of Shareholders on 3 July 2023;

V. SCOPE OF APPLICATION

V.1. Impact of the law on the status of ELECTROMAGNETICA S.A.

According to the law, companies whose registered office is in Romania and whose shares are admitted to trading on a regulated market are obliged to apply the new provisions.

ELECTROMAGNETICA S.A. is a legal entity with entirely private capital, listed on the Bucharest Stock Premium Category, and having its registered office in Bucharest, District 5, 266-268 Calea Rahovei, with Tax code RO 414118 and Trade Registry no. J40/19/1991.

ELECTROMAGNETICA S.A. is recognized as a traditional manufacturer and supplier of electrical distribution and metering equipment, LED lighting solutions, electrical and electronic subassemblies, metal and plastic injection molded subassemblies, tools and dies, automotive subassemblies, rail traffic safety systems. It also focuses on green energy production and technologies to increase energy efficiency

Consequently, as ELECTROMAGNETICA S.A. is listed on the Bucharest Stock Exchange Premium Category, the relevant legal provisions are applicable to it.

V.2. Applicability of these provisions to the subsidiaries PROCETEL S.A., ELECTROMAGNETICA PRESTSERV S.R.L. And ELECTROMAGNETICA FIRE S.R.L.

The implementation of a remuneration policy **must be consistent across the Group**. This is necessary not only in terms of promoting corporate governance principles, but also so that investors can rely on comparable remuneration data. It is relevant that ELECTROMAGNETICA S.A., as a company listed on Bucharest Stock Exchange, **is required to state in the Annual Remuneration Report the remuneration received by an Officer, including that from entities within the Group**, namely the subsidiaries PROCETEL S.A., ELECTROMAGNETICA PRESTSERV S.R.L. And ELECTROMAGNETICA FIRE S.R.L., as defined by Law no. 126/2018 - on markets in financial instruments - art. 3(1), item 25.

V.3. Officers to whom the Remuneration policy applies

The Remuneration Policy, on which shareholders have the right to vote at the General Meeting of Shareholders, is addressed to the Officers (decision makers, defined below).

In correlation with the provisions of Company Law no. 31/1990, in the case of a unitary management system (as is the case of ELECTROMAGNETICA S.A.), the Officers concerned by the Remuneration Policy are:

a) Members of the Board of Directors

The Board of Directors is composed of *five directors*, elected by the General Meeting of Shareholders, the majority of the members of the Board of Directors being non-executive directors.

They are elected for a period of 4 years, their current term of office being until 18 October 2027.

b) CEOs

The CEOs of the company are those to whom the Board of Directors has delegated the management within the meaning of Article 143 of Law no. 31/1990, republished, as further amended and completed.

As far as ELECTROMAGNETICA S.A. is concerned, the General Meeting of Shareholders has delegated the management to the Board of Directors, and the Board has delegated part of its powers to the CEOs, on the basis of mandate contracts setting out their duties and remuneration (during the performance of their mandates, the individual employment contracts of directors appointed from among the employees are suspended).

c) Members of the Audit and Risk Committee

The Audit and Risk Committee of the Board of Directors of ELECTROMAGNETICA S.A. was established by a decision of the Board of Directors. The Audit and Risk Committee operates on the basis of the Audit Committee Regulation approved by the Board of Directors on 10 August 2018. The Audit and Risk Committee is a permanent committee with an advisory role, which assists the Board of Directors in the performance of its duties.

The Audit and Risk Committee consists of:

- a Chairman, a non-executive member of the Board of Directors,
- two non-executive members of the Board of Directors.

The members of the Audit and Risk Committee have been appointed taking into account their knowledge of the industries in which ELECTROMAGNETICA S.A. operates and their experience in accounting, auditing or risk management matters.

VI. PRINCIPLES OF THE REMUNERATION POLICY

ELECTROMAGNETICA S.A. wishes to ensure a competitive level of remuneration so as to be able to attract, retain and motivate people with outstanding professional training and significant managerial experience to join the company's management.

The remuneration Policy for directors and CEOs is aimed at motivating them to channel their efforts and use their expertise and experience for the success of ELECTROMAGNETICA S.A. and the development of the company's business in the medium and long term. The remuneration policy is compatible with ELECTROMAGNETICA S.A.'s business strategy, objectives, values and interests, as well as with the interests of shareholders and investors, including measures to avoid conflicts of interest.

Remuneration is set separately for the members of the Board of Directors, the executive management (General Manager, Deputy General Manager, Commercial Manager, Chief Financial Officer, Chief Operating Officer and Chief Legal Officer) and the members of the Audit and Risk Committee.

The remuneration system is composed of *fixed, variable and long-term variable components* as well as *other non-financial benefits*.

The principles of the Remuneration Policy are based on:

- ensuring sustainability and profits, generating medium and long-term value;
- promoting competitiveness and rewarding achievement of objectives;
- aligning remuneration with good governance principles;
- promoting transparency regarding remuneration and the criteria for setting it;
- ensuring a balance between fixed and variable remuneration.

The fixed component is determined and approved annually by the Ordinary General Meeting of Shareholders and the variable component is also determined by resolutions of the Ordinary General Meeting of Shareholders of the company.

This document containing the remuneration policy is approved by the General Meeting of Shareholders and after approval will become public and will be found on the ELECTROMAGNETICA S.A. website.

VII. PERFORMANCE CRITERIA; METHODS OF DETERMINING THE EXTENT TO WHICH THEY HAVE BEEN MET

The performance criteria used to determine the amount of the variable component are established by the Income and Expenditure Budget and consist of the achievement of the net profit indicator and the approval of the annual financial statements by the General Meeting of Shareholders.

VIII. REMUNERATION OF DIRECTORS AND MEMBERS OF THE EXECUTIVE MANAGEMENT AT ELECTROMAGNETICA S.A.

VIII.1. Remuneration of directors

Directors are remunerated under the management contract and receive a remuneration consisting of a *fixed monthly fee and a variable component*.

The fixed remuneration: is fixed at the beginning of the term of office of the members of the Board of Directors, for the work carried out in accordance with the Company's registered main activity and is reviewed annually by the Ordinary General Meeting of Shareholders.

ELECTROMAGNETICA S.A. undertakes to pay the Director a fixed remuneration approved by the General Meeting of Shareholders annually for the management services performed by him/her during the previous month.

The remuneration of the Director shall be subject to the tax regime established by the legislation under conditions similar to salary, being paid with a net amount after deduction and direct payment by ELECTROMAGNETICA S.A. to the state budget of taxes, duties and legal contributions.

ELECTROMAGNETICA S.A. undertakes to bear the costs of social insurance, pensions and other similar costs, including the cost of professional liability insurance.

Variable component: variable remuneration may be granted both in cash and / or through the allocation of financial instruments and / or derivative financial instruments (shares, options granted under Stock Option Plan type programs, etc.). Variable remuneration may be granted to members of the Board of Directors, within the general limits approved by the General Meeting of Shareholders, subject to the achievement of the net profit indicator and the approval of the annual financial statements by the General Meeting of Shareholders. The fund for granting variable remuneration for the achievement of the net profit performance indicator shall be determined and recorded as a provision, so that the achievement of the net profit set by the Income and Expenditure Budget is not jeopardized. Payment of variable remuneration will be made after approval of the annual financial statements. In the case of instruments granted under Stock Option Plan-type programs for directors, the allocation criteria are established in accordance with the specific legislation and the provisions of the Articles of Association.

Other forms of remuneration:

- payment to the Director of the costs of transport and accommodation for business trips, in Romania or abroad, as well as daily subsistence allowance under similar conditions to those offered to other employees;
- providing the Director with the logistics necessary for the day-to-day running of the business in the best possible conditions
- in the event of dismissal without just cause, the Director shall receive 2 remunerations.

Term of the management contract; Conditions for termination of the management contract

The management contract shall take effect from the date of acceptance of the mandate by the Director and shall be in force for a period of 4 years, the term of the mandate.

The management contract may be unilaterally terminated by the Director on the basis of a notification sent by the Director to ELECTROMAGNETICA S.A. at least 90 days before the termination date.

The management contract may be unilaterally terminated by the General Meeting of Shareholders under the conditions provided for by Law no. 31/1990.

The management contract shall terminate by law in the following cases:

- the Director dies;
- the Director is placed under a ban;
- if ELECTROMAGNETICA S.A. enters into insolvency and/or bankruptcy and/or liquidation proceedings and an administrator/trustee is appointed by the competent court;
- if a cause of incompatibility arises;
- if the shareholders of ELECTROMAGNETICA S.A. decide to take legal action against the Director for justified reasons.

VIII.2. Remuneration of Directors

CEOs are remunerated on the basis of the mandate contract and receive a remuneration consisting of a fixed monthly allowance and a variable component, as well as other forms of remuneration.

The fixed remuneration: ELECTROMAGNETICA S.A. undertakes to pay the Trustee a monthly remuneration set by the Board of Directors.

The remuneration of the Trustee shall have the fiscal regime established by the legislation, under conditions similar to the salary being paid with a net amount after deduction and direct payment by ELECTROMAGNETICA S.A. to the state budget of taxes, duties and legal contributions.

Variable component: The overall limits of variable remuneration are set by resolutions of the ordinary general meeting of shareholders of the company. Variable remuneration may be granted both in cash and/ or through the allocation of financial instruments and/or derivatives (shares, options granted under Stock Option Plan programs, etc.). Variable remuneration may be granted to directors, within the general limits approved by the General Meeting of Shareholders, subject to the achievement of the net profit indicator and the approval of the annual financial statements by the General Meeting of Shareholders. The fund for granting variable remuneration for the achievement of the net profit performance indicator shall be determined and recorded as a provision, so that the achievement of the net profit set by the Income and Expenditure Budget is not jeopardized. Payment of variable remuneration will be made after approval of the annual financial statements. In the case of instruments granted under

Stock Option Plan type programs for directors, the allocation criteria are established in accordance with the specific legislation as well as the provisions of the articles of association.

Other forms of remuneration:

- payment to the Trustee of transport and accommodation costs for business trips, in Romania or abroad, as well as daily subsistence allowance/food allowance under similar conditions as for other employees;
- providing the Trustee with the logistics necessary for the day-to-day running of the business in the best conditions (e.g. car with driver, office, communication systems: laptop, mobile phone, e-mail address);
- payment to the Trustee of costs relating to seminars/training courses organized in the country/abroad;
- the Trustee is entitled to a maximum of 35 business days' paid holiday leave with holiday allowance and holiday bonus, each in an amount equal to the net monthly remuneration;
- the Trustee shall be entitled to sick leave under the same conditions as the company's staff employed under individual employment contracts; in the event of serious illness requiring costly medical intervention, ELECTROMAGNETICA S.A. shall provide him/her, once during the mandate, with a sum of money to cover these costs.

Term of the mandate contract; Conditions for termination of the mandate contract

The mandate contract shall be concluded for an indefinite period and shall enter into force on the date of express acceptance of the mandate by the Trustee in return for remuneration.

The mandate contract shall terminate in the following cases:

- ELECTROMAGNETICA S.A. enters into insolvency and/or bankruptcy and/or liquidation proceedings and an administrator/judicial liquidator is appointed by the competent court;
- The Trustee dies;
- The Trustee is placed under a ban;
- Revocation of the mandate by the Board of Directors;
- The appearance of a state of incompatibility;
- The Trustee resigns from office, with 30 days' notice.

Upon termination of the mandate contract at the initiative of the Board of Directors for reasons not attributable to the Trustee, the Trustee shall be entitled to compensation equal to 2 net monthly remunerations.

VIII.3. Remuneration of the Audit and Risk Committee members

The members of the Audit and Risk Committee, subject to the approval of the Board of Directors and the General Meeting of Shareholders, shall receive an indemnity at the level of 25% of the monthly indemnity of the Board of Directors, to be submitted to the approval of the General Meeting of Shareholders annually.

IX. MEASURES TO AVOID CONFLICTS OF INTEREST

Directors with a potential conflict of interest shall inform the Board and abstain from discussion of the matters in question and from voting. Transactions with stakeholders are concluded on non-preferential terms and are negotiated by members of management who are not related to the stakeholders

and are reported to the Financial Supervisory Authority and Bucharest Stock Exchange, if applicable. The external auditor will report and analyze these transactions accordingly in its report. ELECTROMAGNETICA S.A. shall draw up and update the list of persons presumed to have access to inside information. Annually, the directors and officers of the company and of other related parties shall make affidavits regarding conflicts of interest and non-competitive activities.

As far as the *directors* are concerned, they have the obligation to use their experience, professional knowledge and working capacity exclusively in the interest and for the benefit of ELECTROMAGNETICA S.A. They are obliged to maintain professional secrecy and confidentiality of all company operations, data and information related to the past, present and future of the company (strategic plans), as well as related to its significant shareholders which, by their content, may have adverse effects on their reputation and interests or those of ELECTROMAGNETICA S.A., including for two years after the termination of the contract. Confidential information includes, but is not limited to, matters relating to financial statements or unpublished data on budget, business, marketing plans, strategies, forecasts, research projects, contracts, customers, know-how techniques, production costs, cost structure, etc. Members of the executive management are also prohibited from carrying out activities for the benefit of competing companies, companies in the same field of activity or companies in business relations with ELECTROMAGNETICA S.A.

Throughout their term of office, they are obliged to keep confidential all data and information relating to the company's activity which are of such nature or which are presented with such nature by the General Meeting of Shareholders. This obligation shall continue for a period of two years after the termination of the mandate contract.

The members of the Audit and Risk Committee are obliged to maintain the confidentiality of the data with which they come into contact by virtue of the activities carried out and which are not public and whose disclosure could have negative effects on the interests and reputation of ELECTROMAGNETICA S.A.

X. CONDITIONS FOR REVIEWING THE REMUNERATION POLICY

According to the law, the Remuneration Policy is reviewed at least once every 4 years.

ELECTROMAGNETICA S.A. reserves the right to amend the Remuneration Policy in the event of significant changes in the structure of the company, its overall financial and/or operational performance, the sectors or industries in which it operates, which may require a review at an interval of less than 4 years. In this case, each significant change to the Remuneration Policy shall be submitted to the approval of the General Meeting of Shareholders.