

LETTER OF EXPECTATIONS

in the process of recruiting members of the Board of Directors of
Societatea Națională Nuclearelectrica S.A.

Societatea Națională Nuclearelectrica SA ("SNN" or "The Company") is the only producer of nuclear energy in Romania and one of the most important producers of electricity among the companies producing energy.

SNN is the only producer of nuclear power based on nuclear technology in Romania. At the same time, SNN produces CANDU-type nuclear fuel bundles that are used to operate its own nuclear reactors.

The shareholders of SNN are the Romanian State, through the Ministry of Energy (82.4959% of the share capital of SNN), Fondul Proprietatea SA (9.0903% of the share capital) and other shareholders (with 8.4138% of the share capital).

SNN has two branches:

- *The Branch Cernavoda Nuclear Power Plant*, which operates the two functional Nuclear Units, based on the CANDU-type technology as well as the management of all SNN assets in Cernavoda, as the two units have an installed capacity of about 700 MW each (706.5 MWe - Unit 1 and 704.8 MWe - Unit 2).
- *The Branch Pitești Nuclear Fuel Plant* in which CANDU fuel bundles for Cernavoda Units 1 and 2 are produced.

Unit 1 from Cernavoda NPP was put into operation on 2 December 1996 and Unit 2 - on 28 September 2007. Unit 1 at Cernavoda NPP will reach the threshold of 210,000 hours of rated power at the end of 2023.

Nuclear reactors are CANDU 6 (Canadian Deuterium Uranium), a model developed in Canada by Atomic Energy of Canada Ltd. This type of reactors are cooled and moderated with heavy water and use natural uranium as fuel.

SNN is a band producer, an aspect related to the technology used and requiring, for optimal production utilization, the predictability of the energy market, coupled with a stable and fair regulatory framework for the top manufacturers, in specific conditions of nuclear safety of the installations and environmental protection, population and its own staff protection.

Among the main features of the SNN we can recall: the high value of the installed capacity usage factor, the lack of CO₂ emissions, the low cost of the energy produced by the uranium price variables, the relatively constant and predictable production costs, the high level of technical operating personnel.

SNN delivered in the National Energy System in 2017, from its own production, a net quantity of 10,561 GWh of electricity. At a capacity factor of 97.14%, Unit 1 Cernavoda NPP delivered 5.485 GWh in the National Power System and Unit 2 Cernavoda NPP delivered 5.095 GWh at a capacity factor of 89.72%.

In 2017, the energy produced by the two reactors held a share of 17.7% of all the electricity produced in Romania.

SNN ended the financial year 2017 with a net profit of RON 303,876 mn, with a turnover of

RON 1,899,936 mn. The operating profit was RON 375,326 mn and the average number of employed staff was 1,975.

SNN shares are traded on the regulated market administered by the Bucharest Stock Exchange as of 04.11.2013, in the first category with ticker symbol "SNN".

The vision of the public guardianship authority and shareholders on the mission and objectives of the company

Public guardianship authority and shareholders want:

- the operation of nuclear units in nuclear safety and security for the personnel, the environment, and the production assets;
- the consolidation of nuclear energy production, the pillar of security in the production of electricity and the reduction of CO₂ emissions;
- maintaining and strengthening the Company's position in low carbon electricity generation.
- making the investments necessary for the safe operation of the two reactors and implementing the nuclear safety culture in all the company's structures;
- implementation of the strategy for diversification of sources of supply with the raw material necessary for the production of nuclear fuel in order to ensure the safety of supply of nuclear fuel for the plant;
- the achievement of the major investment objectives, the optimization of the functioning and the extension of the operating time in nuclear safety conditions of the existing production capacities;
- ensuring sustainable development for the company applying ethical, integrity and corporate governance principles;
- maintaining and developing professional expertise throughout the nuclear cycle by attracting and retaining a highly specialized workforce for both the safe operation of existing capacities and in the context of extending the duration of their operation and increasing the share of nuclear energy in the national energy mix;
- the selection of the Company's directors is to be carried out on a competitive basis, based on professionalism and integrity criteria, by a specialized company, experienced in the recruitment of human resources at top management level.

The expectations of the Company's shareholders concern the following:

1. Establishing the necessary actions for the implementation of the long-term development strategy of the Intermediate Dry Spent Fuel Storage Facility (Depozitul Intermediar de Combustibil Ars - DICA) and authorization in view of extending the lifetime of Units 1 and 2 in line with CNCAN's observations, and those of the Ministry of Environment and Climate Change, as revised and approved by the SNN shareholders through the decision of the Ordinary General Meeting of Shareholders no. 8 / 28.09.2017.

2. The implementation of the diversification strategy for sources of raw material supply necessary to produce nuclear fuel in order to increase the security of SNN supply with the raw material used to manufacture the nuclear fuel used at Cernavoda NPP reactors and to maintain a full

cycle of nuclear fuel on the territory of Romania, as well as complying with the good practice recommendations of the EURATOM Fuel Supply Agency.

3. Carrying out the necessary activities for the preparation of Unit 1 at Cernavoda NPP for prolonging the lifetime for re-technologizing purposes, but without limiting the organizational and logistic measures, elaboration of the supporting documentation necessary for preparing the Feasibility Study, including the elaboration thereof and submitting it to be approved by its shareholders in 2021.
4. Ensuring the conditions for the continuation and finalization of the negotiations on the Investment Documents regarding the development, construction, operation and decommissioning of Units 3 and 4 from Cernavoda NPP
5. Capitalization of existing SNN assets that are not used for the company's core business and which currently do not generate profit by use.
6. Fulfilling the 3 (three) financial indicators mentioned in the loan contract entered into by the company with the European Atomic Energy Community (EURATOM) respectively: debt service coverage degree (over 1.5), indebtedness (maximum 2), income received sufficiently to cover the operational costs, maintenance and debt service for U1 and U2
7. Optimizing and streamlining the organizational structure of the Company
8. Maintaining a foreseeable/ predictable dividend policy for the Company
9. Observing the principles of corporate governance and the code of ethics and integrity
10. Developing / Improving their reporting capabilities, control and risk management, ensuring increased attention to the relationship with investors;
11. Responsible and active involvement in corporate social responsibility actions
12. Maintaining / attracting highly qualified staff, in the context of a specialized labour market

Evaluation of the public guardianship authority and shareholders regarding the risks to which the company is exposed and the actions required to mitigate the risks and achieve the objectives

Starting from the complexity of the activity, the Company may face risks from diverse areas and different fields.

a) **The operational risk** - is closely related to market positioning, the identification and evaluation of investors, to the generated profit/loss, to any fines, penalties, sanctions, to a deficient setting or management of contractual obligations.

The operational risk also includes the legal risk.

b) **The market / price risk** - generated by the fluctuation of the electricity price and the fluctuation of the prices of raw materials and materials, the risk caused by the low number of suppliers and the lack of long-term contracts, which could ensure price stability. The Company is exposed to the price risk on the competitive market.

c) **The credit / counterparty risk** - Financial assets that may subject the Company to credit risk are primarily trade receivables, cash and cash equivalents and bank deposits. Currently, the Company trades on futures markets (PCCB - LE PCCB - NC, PCSU), which allow the counterparty to be known only at the end of the tendering session.

d) **The competitive risk** - as a result of the next day's market alignment process in Romania, with respect to the price-sharing mechanism of markets in the Czech Republic, Slovakia and Hungary, the Company is exposed to an increase in regional competition generated by future improvements,

refurbishments, expansions and new constructions foreseen to be made by producers in the respective electricity markets.

e) ***The macroeconomic and legislative risks*** - In the case of the Company, legislative / regulatory risk is a risk that can be confronted with respect to a large number of regulations and requirements issued and required by national and international regulators and/or professional associations.

f) ***The risk associated with investment / maintenance / refurbishment works*** - it is manifested in close connection with the company's funds, the acquisition and maintenance plan, the realization of the studies and analyzes necessary for the substantiation of the plans, the structure and the training of the personnel, the equipments / installations suppliers.

g) ***The risk associated with lack of specialized workforce*** - it is manifested in connection with the departure of the specialists to other better paid jobs but also in the absence of programs for attracting qualified youngsters, who will be trained and specialized both in the field of operation and maintenance and in the fields related to the implementation of the proposed investment program.

This document has been prepared under the provisions of GEO no. 109/2011 on Corporate Governance of Public Enterprises, as amended and supplemented by Law no. 111/2016 and the Methodological Norms for the application of GEO no. 109/2011, as subsequently amended and supplemented, approved by GD no. 722/2016 and it represents the desiderata of the public guardianship authority and SNN shareholders for the evolution of the Company over the next 4 years

The *Letter of Expectations* will be brought to the attention of Candidates on the Shortlist to be provided by the Independent Expert specialised in human resources recruitment selected to assist the Nominating and Remuneration Committee within the Board of Directors in recruiting members of the Company's Board of Directors.

The desiderata in the Letter of Expectations will have to be reflected in detail in the candidates' statements of intent for the position of administrator and in the Management Plan to be carried out by them.