



NUCLEARELECTRICA

Registration No. 10745/15.09.2021

Approved,  
Chairman of the Board of Directors  
Teodor Chirica

**NOTE regarding the approval by the Extraordinary General Meeting of Shareholders of the purchase of legal support/consultancy services in relation to the major investment objectives and the major strategic objectives of the company**

## I. General Aspects / Powers of Approval

According to the provisions of art. I, par. (3) of GEO [Government Emergency Ordinance] no. 26/2012 on measures to reduce public spending and enhance financial discipline and for amending and supplementing legislative acts, *“In duly justified cases, where legal consultancy, support and/or representation activities, necessary for national companies, national associations and trading companies, as well as the autonomous administrations, referred to under par. (1), cannot be ensured by the personnel of legal specialization employed in these entities, services of this nature can be purchased, according to the law, only with the approval and by mandating the representatives of the state or of the administrative-territorial units in their management bodies [...]”*.

## II. Background

Resolution of the Ordinary General Meeting of Shareholders of Nuclearelectrica S.A. National Company (“SNN”) no. 7/12.06.2021 approved the Investment Strategy of Nuclearelectrica S.A. National Company for July 1, 2020 - July 1, 2025 (“Strategy”) - Annex no. 1 to this Note.

The major investment objectives and the major strategic objectives, as presented in the SNN Strategy, require substantial legal support which can be partially ensured by the Legal Division of SNN, but there are specific and complex aspects and a significant estimated volume for which contracting external legal support/consultancy services is required. The Legal Division does not have the necessary overall experience to provide legal support to the company for these objectives, therefore we deem it as justified and necessary to contract specialized legal services.

Below we briefly present some of the major investment objectives and the major strategic objectives for which SNN will contract legal support/consultancy services:

- a) **The refurbishment of Unit 1 of the Cernavoda NPP (Project) represents one of the main investment projects implemented by SNN and was approved by the SNN shareholders by SNN Extraordinary General Meeting of Shareholders Resolution no. 27/23.12.2013.**

The Project for the Refurbishment of Unit 1 is structured in 3 distinct phases:

- ✓ Phase 1 (2017 - 2022) - Demonstrating the capacity of the current components of the reactor of Unit 1 to operate over 210,000 hours at rated power, until at least the end of 2026, finalizing the purpose of the works of the Refurbishment Project, as well as demonstrating the feasibility of the Refurbishment Project, a stage which will be completed by the submittal for the approval of the feasibility study by GMS. By Resolution No. 9/28.09.2017, the shareholders of SNN approved the initiation of

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Order number with the Trade Register: J40/7403/1998, Sole Registration Code: 10874881,

Subscribed and paid-up share capital: RON 3,016,438,940.

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phase I of the Strategy for the refurbishment of Unit 1 of Cernavoda NPP.

- ✓ Phase 2 (2022 – 2026) considers the following main activities: Structuring funding packages and signing loan agreements; Negotiating and awarding the Engineering, Procurement and Construction Contracts (EPC); Procuring long manufacture cycle equipment; Obtaining the Opinion of the European Commission - Article 41 Euratom Treaty; Obtaining all the authorizations and permits required to launch the project; Building the radioactive waste storage facilities, required for the storage of the waste resulting from refurbishment activities, as well as other infrastructure objects necessary for the project.
- ✓ Phase 3 (2026 - 2028) - Stopping the unit and the actual implementation of the Project, which must necessarily consist in the replacement of the following current components of the reactor of Unit 1: fuel channels, calandria tubes and feeders, but also of the execution of certain modernizations and replacements of components in the existent systems of the unit.

#### **b) Project U3 and U4 of Cernavoda NPP**

SNN OGMS Resolution no. 3/05.04.2021 approved the Strategy for continuing the Project of Units 3 and 4 of Cernavoda NPP drafted based on the “Feasibility study for completing the project of Units 3 and 4 of Cernavoda NPP” updated in December 2020, which consists of a stage approach, namely dividing the Project into 3 development stages, as follows:

Stage 1 - Preparatory stage with an estimated duration of 24 months, with the following main objectives: re-operationalization of the EN project company, contracting technical, legal and financial support services, contracting engineering services for updating the procurement technical specification, launching, selecting and granting the engineering contract, IPC procurement and building works, as well as contracting any other studies/reports/valuations that are necessary for the configuration of the project;

Stage 2 - Preliminary Works - phase 1 of the IPC Contract, with an estimated duration of 18-24 months, with the following main objectives: the development by the IPC Contractor of the critical engineering section of the Project, of the nuclear security documentation and of the analyses regarding the local market of the suppliers of equipment and providers of services which are necessary for implementing the construction works, drafting the nuclear security documentation that is necessary for obtaining the Nuclear Security Authorization and the documentation for notifying the Project to EC in virtue of art. 41 from the EURATOM Treaty;

Stage 3 - Construction - with an estimated duration of 69-78 months, consisting in the actual initiation of the construction, assembly and commissioning works.

#### **c) Tritium removal installation of Cernavoda**

In August 2018, the General Meeting of the Shareholders of SNN approved the Implementation Strategy of the Investment Project “Tritium Removal Facility at Cernavoda NPP” (“CTRF”) based on the Feasibility Study revision 11. The project’s implementation strategy is based on the conclusion of an EPC (Engineering Procurement Construction) contract with an economic operator or an association with experience in achieving such objectives, selected in virtue of a competitive procedure according to the legal provisions.

The project for the tritium removal installation from Cernavoda was initiated in order to reduce the tritium concentrations in the systems of Units 1 and 2, by reducing the doses for the personnel of the nuclear power station and radioactive emissions to the population and the environment. Currently, the initial phases of the project, namely the feasibility study - rev. 12(12), the conceptual project and the pre-authorization activities, are completed, and a comfort letter has been issued to the regulatory body (CNCAN), which confirms that the project of the installation can be authorized according to the specific legislation in force.

Currently, the procedure is implemented as an exception from Law no. 99/2016 on sectorial procurements, namely by applying the EBRD “Two Stage Open Tender” procedure, with the qualification stage included in the First Stage related to the new procedure, and the contract of CTRF works is to be signed with the selected tenderer, upon the completion of the procedure of granting the procurement contract, conditional upon the approval of the result of this procedure by EBRD.

The procedure for selecting the EPC contractor is estimated to be completed towards the end of 2021, the construction phase will start in 2023, and the project will be fully operational in 2026. The construction schedule allows pre- and post-construction activities, such as mobilization, the initiation of the works, testing and commissioning.

#### **d) Small modular reactors (SMR)**

One of the strategic objectives of SNN is to diversify its activity portfolio, including medium term and long term, within which small modular reactors (SMR) and subsequently 4th generation power plants must be timely taken into consideration and the preliminary activities for their usage must be prepared, as part of a national strategic program. SNN is in the national process of including these options in the project of the Energy Strategy of Romania 2020-2030, with year 2050 as a reference, and in the National Nuclear Plan (NNP). These activities and development directions are also part of the Intergovernmental Agreement of Romania with the United States of America for the development of the civil nuclear program of Romania, and they represent a decisive element in the implementation of the energy objectives for developing new nuclear technologies that would support the achievement of greenhouse gas objectives.

#### **e) Cobalt 60**

Cobalt-60 is a gamma radioactive isotope that is efficiently obtained in nuclear reactors by irradiating bars containing Co-59. This radioactive isotope is widely used in medicine to treat cancer, sterilize a diverse range of medical instruments, pharmaceuticals, cosmetics and food. There are also other applications of Co-60 for the treatment of certain plastics or sewage waste.

The production of Co-60 in the reactors of Cernavoda NPP may represent, in addition to a business opportunity, an opportunity to bring added value to the image of the Romanian nuclear industry, and implicitly, it may contribute to the increase of the degree of acceptance on behalf of the population regarding the production of electricity in nuclear power plants. Moreover, SNN SA has the potential to become a major player in ensuring the supply of Co60 within the European Union, thus bringing additional arguments in the process of supporting the refurbishment project of Unit 1 before the European institutions.

The approval of the Cobalt 60 project will be conditional upon obtaining the Environment Approval and CNCAN approvals. Phase 1 (preliminary studies) will identify the necessary stages and efforts for licensing the project.

### **III. Substantiating the necessity for procuring legal support/consultancy services in relation to the major investment objectives and the major strategic objectives**

The Legal Division of SNN ensures the legality of the operations carried out by the company, by protecting the patrimonial and non-patrimonial rights and interests of the company; the structures within the Legal Division ensure the legality of the decisional processes that lead to the achievement of the SNN objectives, including by: issuing legality approvals regarding the documents which need to be approved by the legal division until the deadline set by the internal procedures; issuing legal opinions/analyses requested by the structures involved in the processes related to the objectives, by complying with the procedural deadlines; providing specialized legal support within the processes/procedures that lead to the achievement of the objectives of the company, by complying with the general deadlines established by negotiation schedules, administratively imposed or established by the management bodies of the company, upon the request of various organizational structures and/or the CEO and/or Deputy CEO, etc.

The activity of the Legal Division mainly aims to ensure the legal support for the current, day-to-day, activities, and there are complex and numerous matters in which the legal advisers of the division are involved (e.g., approving the legality of internal legal documents, of resolutions and other internal documents, of substantiating notes, contracts and, generally, of the documents related to procurement procedures, upon the request of the organizational structures of SNN, documentation and

electricity contracts and, as the case may be, approvals regarding labor law matters, ensuring the representation of SNN in litigations of any nature, participating in activities of specialized international bodies and organizations - work groups, groups of experts in nuclear law, attending discipline commissions, internal commissions on various matters, etc.).

Regarding the major investment objectives and the major strategic objectives of the company, depending on the concrete circumstances, they involve specific matters, which require distinct specialization, which the legal advisers of the company cannot objectively cover, in an adequate manner, either because of the fact that they are not experiences in the respective matters (e.g., British law aspects, state aid aspects, aspects specific to international EPC contracts, etc.), or because they already have a busy workload and they need to invest a lot of time in the matters related to the respective projects.

In this context, we deem that the involvement of external specialized lawyers is essentially a method by which the company can obtain independent and specialized legal opinions (from a third party) and strictly specialized legal support, regarding all the matters in which the involvement of the legal advisers of the company does not lead, for objective and independent reasons, to the achievement of those objectives.

For all the aforementioned reasons, we deem that it is necessary and useful for the company to contract legal services of consultancy, legal support on complex matters, in situations which exceed the competency and workload of the legal advisers of the company. These services are to be contracted according to the legal provisions in the field, by ensuring the compliance with the principles that govern the procurement legislation: competitiveness, transparency, non-discrimination, equal treatment, proportionality, fund use efficiency.

Considering the complexity and peculiarities of the objectives provided in the investment strategy approved by the shareholders, in order to identify, plan, coordinate and manage the legal activities related to projects, the company needs the expertise of independent external lawyers/experts who would provide to SNN the necessary support in the implementation of the major investment objectives and the major strategic objectives.

The procurement of legal consultancy services is justified by the fact that, both from the perspective of the estimated workload and from the perspective of the necessary specific legal expertise, such services cannot be ensured by the legal personnel employed within SNN.

#### **IV. Scope of the legal consultancy/support services. Allocated budget**

The scope of the legal consultancy/support services for the major investment objectives and the major strategic objectives (“Projects”) shall mainly relate to the following services, without limitation:

- ✓ Legal consultancy / support regarding the structuring of the Projects;
- ✓ Consultancy/support in drafting and negotiating Engineering, Procurement and Construction (EPC) Contracts, and any other types of contracts that are necessary during the implementation of the Projects;
- ✓ Legal consultancy / support in aspects related to Project financing;
- ✓ Consultancy / support regarding the relations with national, European and/or international authorities/institutions/entities;
- ✓ Legal consultancy / support in drawing up legislative act drafts in relation to the Projects or formulating opinions, comments, observations, proposals, etc. which are applicable to them;
- ✓ Legal consultancy / support in the process of obtaining the licenses, authorizations and approvals that are necessary for the implementation of the Projects;
- ✓ Legal consultancy / support on matters of state aid and/or competition in relation to the Projects;
- ✓ Legal representation services, as the case may be.

The estimated budget for the legal consultancy / support services related to the major investment objectives and the major strategic objectives from the investment strategy of SNN is **EUR 2,500,000**.

We would like to mention the fact that the amounts that are necessary for covering the costs for contracting these services can be covered from chapter "Other expenses" of the SNN Revenue and Expenditure Budget for 2021. At the same time, the amounts that remain unspent shall be carried forward in the SNN budgets of the following years, considering that the investment projects in the nuclear field are extremely complex and are implemented during long periods of time.

## **V. Proposals**

Considering the aforementioned aspects, as well as the provisions of art. I, par. 3 of GEO no. 26/2012 on measures for reducing public expenditure and enhancing financial discipline and for amending and supplementing legislative acts, **we submit to the approval of the Board of Directors, in order to be submitted for the approval of the Extraordinary General Meeting of Shareholders to be summoned, the procurement of legal consultancy / support services in relation to the major investment objectives and the major strategic objectives from the Strategy approved by the shareholders.**

**Chief Executive Officer,  
Cosmin Ghita**

**Deputy CEO  
Dan Laurentiu Tudor**

**Financial Manager  
Paul Ichim**

**Legal Manager  
Laura Constantin**