Societatea Națională Nuclearelectrica S.A.

2023-2027 ADMINISTRATION PLAN

Executive Summary

Mai 2023

NUCLEARELECTRICA

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1. Overview

1.1. Introduction

This document contains a summary of the 2023-2027 Administration Plan of Societatea Națională Nuclearelectrica S.A.

The 2023-2027 Administration Plan, prepared in accordance with the provisions of Article 30(1) and Article 36(1) of the Government Emergency Ordinance no. 109/2011 on the corporate governance of public enterprises, as subsequently amended and supplemented, by the members of the Board of Directors and the Executives of Societatea Națională Nuclearelectrica S.A. ("SNN" or "Company"), as appointed further to completion of the selection procedures provided for in aforementioned regulatory act under the Resolution no. 6/10.08.2022 and the Resolution no. 1/15.02.2023 of the Ordinary General Meeting of SNN Shareholders.

The purpose of the administration plan is to describe the Company's administration strategy during the mandate of the Board of Directors and of the Executives, with a view to attaining the objectives and performance indicators set out under the contract of mandate, based on the letter of expectations published on 22 December 2022.

The administration plan is the working tool of the directors and the executives, and takes the form of a document prepared to set the Company's roadmap during their mandate, structured on two components: administration, prepared by the Board of Directors; and management, prepared by the Executives. The administration plan is linked with the letter of expectations, and sets the mission, objectives, actions, resources and financial and non-financial performance indicators for performance of a specific activity during a future period that cannot exceed 4 years.

The administration plan covers:

- The administration component, as approved by the BoD Resolution no. 64/17.03.2023;
- The management component and the administration plan, in full, as approved by the BoD Resolution no. 121/25.05.2023 in accordance with the provisions of the Government Emergency Ordinance no. 109/2011 and Law 31/1990.

The administration plan was written in consideration of the particulars and uniqueness of the Company's main scope of business, *i.e.* generation of electricity and heat through nuclear processes, in the national economic framework. It also considered the geopolitical and economic realities the Company operates in. The objectives set under this administration plan, including the measures devised to attain them, are substantiated by the key action lines included in the 2022-2030 National Strategy for Development of the Romanian Nuclear Industry, looking forward to 2050, and are in accordance with the main lines of action, and are in line with the action lines with the European Union's energy policy:

- Generation and sale of electricity at high performance standards, by keeping the existing units in operation and developing new generation units, as well as production of nuclear fuel;
- Ensuring the financial performance of the Company in conditions of economic efficiency, predictability and medium-term and long-term sustainability;
- Development of a streamlined and efficient group structure in the Company;
- Implementation of the digital transformation and cyber security projects;
- Putting in place an adequate corporate governance, ethics and integrity, internal control and external communication framework.

The Administration Plan observes the corporate governance principles that demand for a responsible, professional and ethical attitude of the Company before its key stakeholders, and are adapted to their main purpose, i.e. to attain the assumed objectives.

The structure of the administration plan is based on the provisions of the Letter of Expectations, the legislation in force, the Code of the Bucharest Stock Exchange, and the reviewed good practices.

1.2. Presentation of the Company

1.2.1. Overview

SNN plays a strategic role in the national economy, since it is the sole electricity producer based on nuclear technology from Romania and one of the most important producers on the electricity market. Nuclear energy, the source of energy with low-carbon emissions, has a significant share in the total of the national electricity production (approximately 18%) and represents a basic component of the energy mix from Romania.

SNN produces electricity and thermal energy by operating by Cernavodă NPP Branch two nuclear reactors of CANDU 6 type having an installed power of approximately 700 MW each. Moreover, SNN produces the nuclear fuel needed for the operation of those two nuclear power units through the Nuclear Fuel Plant Pitești Branch ("NFP Pitești").

SNN's vision is to build a sustainable future for tomorrow's generation, and the Company pursues the mission to generate clean energy at standards of excellence, and acts up to values, such as professional excellence, safety and sustainability, empathy and accountability, and sustainable development.

The company is listed on the Bucharest Stock Exchange (stock symbol SNN), and the shareholding structure is presented as follows: The Romanian State through the Ministry of Energy - 82.4981% and other shareholders - 17.5019%.

SNN has two branches:

- Cernavoda NPP branch, which operates Units 1 and 2 of Cernavoda NPP, and renders ancillary services;
- NFP Pitesti Branch, a company qualified to produce CANDU nuclear fuel bundles.

SNN is the sole shareholder of:

- The project company EnergoNuclear, for acquiring reactors 3 and 4 from Cernavodă;
- Nuclearelectrica Serv S.R.L. subsidiary, specialized in the provision, under safety and economic forecasting conditions, of services to the companies within SNN Group;
- Fabrica de Procesare a Concentratelor de Uraniu - Feldioara S.R.L. subsidiary, through which production, purification and conversion of the technical uranium concentrates, to obtain sinterable uranium dioxide powder, will be carried out.

Moreover, SNN set up Ropower Nuclear S.A., together with Nova Power & Gas (a member of E-INFRA), the special purpose vehicle for development of small modular reactors in Romania.

SNN is a producer in line, a matter related to the technology used and which needs, for the best use of production, the predictability of the energy market, doubled by a stable and equitable regulatory framework for all producers, under specific nuclear safety conditions of facilities and environmental, population and own staff protection. Some of the key characteristics of SNN are listed below:

- High value of the installed capacity utilization factor;
- No CO2 emissions;
- Low dependence of the cost of the electricity produced on the uranium price variations;
- Relatively constant and predictable production costs;
- High technical training of the operating staff.

1.2.2. Branches, Subsidiaries and Special Purpose Vehicles

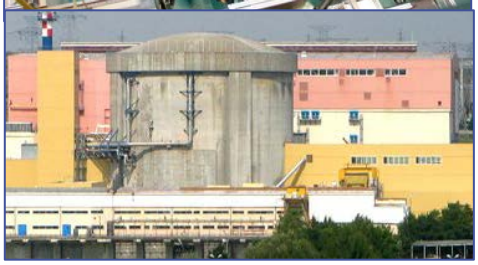
Cernavodă NPP Branch

- It supports safe operation of the Nuclear Units 1 and 2, each with an installed power of 700 MW.
- Cernavoda NPP uses the Canadian technology CANDU 6 (Canadian Deuterium Uranium), using natural uranium as fuel for bundle manufacturing, and heavy water as moderator and cooling agent.
- Cernavoda NPP Unit 1 was commissioned on 2 December 1996 and Unit 2 on 28 September 2007.

NFP Pitești Branch

- NFP Pitesti produces annually about 10,800 nuclear fuel bundles for Cernavoda NPP.
- The CANDU nuclear fuel started to be manufactured back in 1980, further to commissioning of the pilot station, as fuel section of Pitesti National Research Institute (ICN). The Nuclear Fuel Plant was spun off, as stand-alone entity, in 1992.
- In 1994, AECL and Zircatec Precision Industries Inc. (Canada) qualified the Nuclear Fuel Plant (NFP) as a CANDU 6 nuclear fuel manufacturer.
- In years 2004-2006, NFP Pitesti doubles its production capacity to ensure the fuel needed for the operation of two units in Cernavoda NPP.

EnergoNuclear S.A. Subsidiary



- It is the Special Purpose Vehicle for development of the CANDU Units 3 and 4 of Cernavoda NPP.
- Its objective is construction, commissioning and operation of Units 3 and 4 of Cernavoda, using the CANDU-type technology.
- SNN holds 100% of the shares of EnergoNuclear.

Fabrica de Prelucrare a Concentratelor de Uraniu - Feldioara S.R.L. Subsidiary

- Its core business is the Processing of Nuclear Fuels.
- It provides the necessary infrastructure for optimal processing of the raw material, as well as for maintenance and consolidation of the integrated fuel cycle that supports SNN's long-term investment projects.

Nuclearelectrica Serv S.R.L. Subsidiary

- The core business of this Branch is provision of services intended to the Cernavoda NPP platform, and it specializes in the safe and economically-predictable supply of services to the companies of the SNN Group.

RoPower Nuclear S.A. Special Purpose Vehicle

- It is the special purpose vehicle for development of small modular reactors in Romania, on the site of the former coal-fired power plant of Doicesti, County of Dambovita.

1.2.3. Administration Structure

The Company's decision-making structure is formed of:

- **The General Meeting of Shareholders (GMS)** - is the ultimate decision-making body that shapes and expresses the legal intentions under resolutions passed as required for the Company to continue to exist and operate;
- **The Board of Directors (BoD)** - in charge of carrying out all the necessary and useful acts for the realization of the company's business objective, except those reserved by law for the general meeting of shareholders;
- **The Executive Management** - responsible for taking all measures related to the management of the Company, within the scope of the company's business and observing the exclusive powers reserved under the law or the Articles of Incorporation to the Board of Directors and to the General Meeting of Shareholders.

The Board of Directors of S.N. Nuclearelectrica S.A. has seven members, including the Company's CEO.

The Board of Directors has delegated the management of S.N. Nuclearelectrica S.A. to a team of 2 Executives under contracts of mandate (CEO and CFO).

1.2.4. Nuclear safety

The nuclear units operate under nuclear safety and security conditions with a view to minimizing the risks attached to exposure of the staff rendering professional activities, the population and the environment to ionizing radiation.

The permanent maintenance of a high level of nuclear safety in all phases of performance and operation of nuclear objectives and facilities is of vital importance and constitutes the first priority for SNN.

SNN has developed and respects a nuclear safety policy that was approved by NCNAC, in order to maintain a high and constant level of nuclear safety in all phases of the commissioning and exploitation process of nuclear installations. The nuclear safety policy provides guarantees of good execution for all important activities regarding nuclear safety, in all phases of implementation and exploitation of nuclear installations. This document confirms that the nuclear security requirements take priority over any other requirements, considerations and interests.

Nuclear safety as a field is a set of technical and organizational measures intended to:

- ensure the safe operation of nuclear facilities;
- to prevent and limit their deterioration;
- to ensure the protection of the staff, the population and the environment against radiation or radioactive contamination.

The high level of nuclear safety is ensured by the way in which nuclear facilities are designed, built and operated. The risk generated by the nuclear fuel bundles from the reactors on the population and the external environment is minimal, due to the fact that:

- The power of the reactor is under control;
- The fuel is cooled down;
- The radioactivity is retained, and all are performed continuously.

The nuclear safety philosophy of CANDU-type power plants is based on the concept of “Defense in Depth", which ensures gradual protection in the event of equipment failures, human errors, transient regimes anticipated in operation or accidents, including severe accidents. For the implementation of this concept, the project foresees a number of successive protection barriers against the uncontrolled release of radioactive materials into the environment. In addition to the five major barriers against the release of fission products to the population from a CANDU-type power plant: fuel bundle matrix, fuel bundle element sheath, primary circuit enclosure, envelope enclosure and exclusion zone; passive or active characteristics have been included in the system design, intended to prevent or limit the consequences of a process failure or accident sequences, which could otherwise lead to releases of radioactive materials into the environment.

So far, no CANDU-type nuclear power plant has reported events or accidents that threaten the health or safety of the population. To supplement the measures intended for the power plant's operation under full safety conditions, planning and preparation for emergency situations is a mandatory condition for authorizing a nuclear power plant to operate. At Cernavoda nuclear power plant, emergency preparedness is checked and improved in quarterly, annual and general drills (once every 3-4 years).

In the aftermath of the Fukushima accident, the European Commission and the Group of European Regulators of the Nuclear Society have decided that the nuclear safety of nuclear power plants in Europe should be reviewed based on transparent and extensive risk assessments, called "Stress Tests". The technical purpose of these stress tests was defined considering the risks that were highlighted by the events at Fukushima. Emphasis was placed on the following potential issues: the triggering events, such as earthquakes or floods, the consequences of the loss of the safety functions during these events, as well as the difficulties of managing severe accidents.

Cernavoda NPP, together with AECL Canada and Ansaldo Italy, issued the "Report on Reassessment of the Nuclear Safety Margins". The assessment conducted proves that Units 1 and 2 of Cernavoda NPP meet the nuclear safety requirements set out under the design and can face severe earthquakes and floods, as well as the total loss of electricity supply and cooling water. In addition, methods and procedures were identified and implemented for the management of potential severe accidents. Also, methods were identified and implemented to prevent and limit the consequences of accidents that can cause melting of the active area. In order to ensure good coordination with the competent Local Public Authorities on the response to emergency situations, Cernavoda NPP has set up two important facilities for the town of Cernavoda, namely: The Local Center for Emergencies of the Cernavoda Municipality and the Personal Decontamination Area, in the Cernavoda Town Hospital.

Cernavoda NPP also runs a Periodic Nuclear Safety Review (RPSN) programme, complying with the requirements of the NCNAC NSN-10 "Rules for periodic nuclear safety review for nuclear power plants", but it also follows the recommendations of the IAEA guide SSG-25 "Periodic Safety Review for Nuclear Power Plants". The assessments are carried out by external organizations, and the purpose of this programme is to have systematic nuclear safety assessments of the important aspects related to the design and operation of a NPP performed, to confirm that the plant is safely operated, and to identify workable measures to implement with the view to attaining a level of nuclear security as close as possible to that set out under the current standards. The RPSN results obtained to date for Cernavoda NPP confirm that the plant is safely operated, , and Cernavoda NPP takes also practicable measures to achieve a level of nuclear security as close as possible to that imposed under the current standards. Furthermore, having reviewed the results of the RPSN assessment, improvement measures have been defined and are implemented to increase the nuclear safety of the plant.

1.2.5. Operational and Financial Performance

The key operational and financial figures of the Company for years 2017-2021 are shown in Table 1.

Table 1: Key operational and financial figures of SNN (2017-2021)

Operational and financial figures	***2017***	***2018***	***2019***	***2020***	***2021***
	(restated)		***(restated)***		
Production (GWh)*	**10,561**	**10,443**	**10,347**	**10,558**	**10,377**
Operating income, of which:	1,932,901	2,178,873	2,417,433	2,500,172	3,203,880
Income from the sale of electricity*	1,884,741	2,116,992	2,365,564	2,432,279	3,103,150
Operating expenses, less depreciation and impairment	(1,009,107)	(1,089,368)	(1,232,455)	(1,184,029)	(1,461,544)
EBITDA	**923,794**	**1,089,505**	**1,184,978**	**1,316,143**	**1,742,336**
Depreciation and impairment	(545,800)	(552,965)	(555,553)	(544,752)	(562,856)
EBIT	**377,994**	**536,540**	**629,425**	**771,391**	**1,179,480**
Net financial result	(18,449)	36,083	1,850	44,017	24,614
Net corporate income tax expenses	(53,002)	(162,012)	(95,608)	(116,086)	(167,832)
Net profit	**306,543**	**410,611**	**535,667**	**699,322**	**1,036,262**
Assets	**9,244,520**	**8,866,205**	**8,810,854**	**8,844,470**	**9,625,125**

** Electricity produced and delivered by Cernavodă NPP in the National Energy System*

*** Including income from the sale of thermal energy, insignificant in total income*

Source: Information selected from the audited IFRS Separate Financial Statements for years 2017 – 2021

The electricity produced by SNN and delivered to SEN during the period under review is relatively constant, and was on average approximately 10,500 GWh annually.

During the period under review, the key financial indicators have constantly improved, for instance, EBITDA had a positive evolution, growing from year to year:

- +18% in years 2017-2018;
- +9% in years 2018-2019;
- +11% in years 2019-2020;
- +32% in years 2020-2021.

The EBITDA positive developments were fed mainly by the increase in the income of the sale of electricity and by a controlled evolution of the operating expenditure, which observed significant increases largely due to the upward evolution of the electricity purchase price during the unplanned shutdowns, *i.e.* a cost linked directly with the electricity market.

The income from the sale of electricity during the period under review were obtained on the regulated market and on the competitive market.

The sales mix of SNN, added to the favourable developments of the market prices in years 2017-2021, supported a constant increase in the income from the sale of electricity.

Under the heading "Operating Income", we list:

- income from transmission of electricity (which has a correspondent in the cost of goods sold charged to the SNN customers);
- income from investments subsidies;
- income from indemnities, fines and penalties;
- net income from sale of assets held for sale (RON 2 million in 2021);
- income from production of intangible and tangible non-current assets (investment cost capitalization);
- other income.

The operating expenditure of 2017-2021 increased from one year to the next, significantly influenced by the need to purchase electricity, the payroll costs (determined by their effective increase, but also by the addition of staff to support the business expansion and diversification), the cost of nuclear fuel, as well as other operating expenditure.

The increase in expenditure in 2021 was mainly caused by the increase in cost of the electricity purchased to ensure full performance of the contractual obligations to deliver electricity during the scheduled planned shutdown (including during the unscheduled shutdown as a result of extension of the scheduled shutdown) of Cernavoda NPP Unit 2, as well as during the unscheduled shutdowns of Cernavoda NPP Units 1 and 2.

The amount of electricity purchased in 2021 was 117% higher than in 2020, and for a price 81% higher than in 2020.

The increase in expenditure in 2019 was mainly caused by the higher cost of electricity purchases, as well as by the increase in the contribution to the Romanian Energy Regulator (ANRE) due to the increase in the rate of the tax paid by SNN, from 0.1% up to 2% of the turnover, according to the provisions of the Government Emergency Ordinance no. 114/2018.

For the entire period under review, the net financial result had a positive impact on the net profit, and the cost of profit tax increased due to the increase in taxable profit.

As a general comment about the developments of the key financial indicators measuring profitability, in years 2017-2021, these increased from one year to another, with a peak figure for the period under review in 2021, driven by the average electricity sale price, which was significantly higher than in the other periods.

Liquidity rates point to a consolidation of cash from one period to another, influenced mainly by the annual positive balance of the operating cash-flows.

The indebtedness decreased from one period to another further to repayment of the loans contracted in the past to finance construction of Unit 2.

The review of the financial ratios shows a solid financial position for the Company, with the benefit of improved bankability for the Company's future investment projects.

Table 2 shows the key financial ratios calculated for the period under review.

Table 2: Key financial indicators of SNN (2017-2021)

Financial indicators	***Formula***	***2017 (restated)***	***2018***	***2019 (restated)***	***2020***	***2021***
Profitability indicators						
EBITDA (million RON)	Operating income - Operating expenditure (less Depreciation and Impairment)	924	1,090	1,185	1,316	1,742
EBITDA margin (%)	EBITDA / Operating income	48%	50%	49%	53%	54%
Operating profit margin (%)	EBIT / Operating income	20%	25%	26%	31%	37%
Net profit (million RON)		307	411	536	699	1036
Net profit margin (%)	Net profit / Operating income	16%	19%	22%	28%	32%
ROA (%)	Net profit / Total assets	3.3%	4.6%	6.1%	7.9%	10.8%
ROE (%)	Net profit / Total equity	4.1%	5.7%	7.3%	9.3%	12.4%
Liquidity ratios						
Current Ratio	Current Assets/Current Liabilities	4.95	3.89	4.65	4.73	5.31
Quick Ratio	(Current Assets - Inventories)/Current Liabilities	4.22	3.24	3.90	4.00	4.46
Insolvency Ratios						
Net liabilities (million RON)	Total liabilities - Cash and cash equivalents	47	76	(317)	778	(58)
Interest Coverage Ratio	EBIT/Interest expenses	16.69	32.20	38.38	58.25	111.37
Indebtedness*	Borrowed Capital/Equity	0.15	0.12	0.10	0.07	0.04
Net liabilities/EBITDA		0.05	0.07	(0.27)	0.59	(0.03)

Short-Term Loan Coverage	Cash from Operating Activities/Short-Term Loans	4.30	5.03	4.66	5.83	9.13
Debt Service Coverage Ratio*	Net Cash Flow/(Interest paid + Loan Payments)	3.51	4.48	4.18	5.38	6.52

** Ratios calculated by reference to the amounts in the consolidated annual financial statements of SNN, in accordance with the provisions of the loan agreement with Euratom*

Source: Information selected from the audited IFRS Separate and Consolidated Financial Statements for years 2017, 2018, 2019, 2020 and 2021

1.2.6. Investment Policy

Major investment projects in progress and their financing

SNN is considering implementation of the following major investment projects over the next period:

- Detrition Plant (CTRF) (estimated amount EUR 254 million)
- U1 Refurbishment Project (estimated amount of approx. EUR 1.85 billion)
- Upgrading of Uranium Concentrate Processing Plant of Feldioara
- Upgrading of Nuclear Fuel Plant, NFP Pitesti
- U3&U4 project, implemented via the special purpose vehicle Energonuclear SA (estimated amount according to the Feasibility Study of approx. EUR 6 billion)
- Small Modular Reactors (SMR) project, implemented via the special purpose vehicle RoPower Nuclear SA, held in equal shares by SNN and Nova Power & Gas SA.
- Development of the Spent Fuel Intermediate Storage (DICA)

More details about the status of each project and the activities already carried out can be found in the sections below.

To ensure the financing required by the major investment projects, the Company aims to minimize the financing costs through a mixed financing structure that includes both own and raised resources, as follows:

- Own resources, represented by:
  - cash surplus available to the Company after distribution of dividends;
  - in-kind contribution of the Romanian State to the share capital of Energonuclear (EN), for implementation of the U3&U4 Project.
- Raised resources, represented by:
  - syndicated bank loans granted by International Financial Institutions, and/or
  - bank loans granted by Export Banks (“ECA”), depending on the country of origin of the cost elements related to projects, and/or
  - issue of corporate bonds, and/or
  - non-reimbursable funds (including, but not limited to the Upgrading Fund or the EU’s RePower programme, for implementation of the U3&U4 Project and the Small Modular Reactors Project), and/or
  - grants from the US Trade and Development Agency (“USTDA”) for implementation of the Small Modular Reactors Project, and/or

- other forms of raised financing, including equity, in partnership structures or by other means.

The Company holds significant liquid assets at the end of 2022, and will continue to strengthen this ratio over the next 4 years, aiming to cover for the financing needs related to its major investment projects due to be completed after 2026 from own resources.

To manage SNN's liquid assets and sustainably increase its financial income, we believe that steps need to be taken to put in place a liquidity management strategy that would afford these assets protection against the effects of inflation.

As to the financing of the U3&U4 Project, we point out that SNN entered into a Support Agreement ("Support Agreement") with the Romanian State, through the Romanian Government, under Law no. 74/2023 *approving the signing of the Support Agreement between the Romanian State and Societatea Națională Nuclearelectrica S.A. for Cernavodă NPP Units 3 and 4 Project*, as approved by the Parliament of Romania on 14 March 2023 and then enacted by the President of Romanian Government.

This Support Agreement provides for a number of measures intended to streamline the financing of the project, such as:

- Securing the Project's financing by granting of State guarantees issued by the Ministry of Finance ("MoF") to the Project's financing parties;
- Implementation of a Contracts for Difference (CfD) support mechanism, which is essential for the Project's feasibility and implementation;
- Support granted to SNN/SN to obtain the necessary clearances, approvals, permits, licenses and authorizations, from both the central and the local authorities, as well as from the European authorities;
- In-kind contribution (Heavy Water, Uranium Octoxide, Nuclear Fuel Load) to the financing of the Project, by increasing the share capital of EN by the Government of Romania;
- Predictable policy on in dividends, by putting in place legislative measures concerning the policy on dividends that would ensure, over the entire period of the Project's implementation, distribution of the book profit of SNN after corporate tax is distributed up to 50% as dividends paid to its shareholders.

As to the financing of investment projects, we expect the following challenges:

- The interest rates on bank loans are currently high, and their developments are impossible to predict considering both the high inflation and the uncertainties related to the evolution of the global economy in the aftermath of the Covid crisis and the war in Ukraine;
- Reduction to half of SNN income in years 2027-2029 after closure of Unit 1 for refurbishment;
- Possibility to increase the investment costs in the context of the rise in the price of raw materials and energy, and of inflation;
- Legislative amendments concerning taxation of the energy income further to the disturbances caused by the war in Ukraine.

1.2.7. Policy on Dividends

SNN, as a national company with majority State capital, distributes the profit according to the provisions of Government Ordinance no. 64/2001 on profit distribution at national enterprises, national companies and companies with full or majority State capital, as well as at self-governed administrations, as subsequently amended and supplemented. Thus, in accordance with the provisions of this Ordinance, the

minimum dividend distribution rate is 50% of the net profit after the distributions listed at Article 1(1)(a) - (e) of the Government Ordinance no. 64/2001. The Company can propose to shareholders a dividend distribution percentage ranging between 50% and 100% of the distributable profit. The profit share to be distributed annually by the Company as dividends is subject to approval by the General Meeting of Shareholders.

The proposals made by the Board of Directors to the General Meeting of Shareholders as to the dividend distribution rate considered the following criteria:

- Compliance with the requirements of the Government Ordinance no. 64/2001 or of other applicable regulatory acts, including assimilated ones, as the case may be, including with the minimum distribution rate of the distributable profit set out in such regulatory acts;
- Maintaining a balance between the need to compensate shareholders with dividends and the needs to raise finance internally, including for investment projects;
- The link between the profit distributable as dividends and monetary correspondence of the distributable profit, i.e. that part of the distributable profit that has attached a monetary correspondence, after adjustments of the non-monetary elements; this aims to avoid decapitalization of the Company in the event of a disconnection between the profit distributable as dividends and the monetary consideration of the profit;
- The possibility of ensuring a dividend return similar to that of other listed companies, as well as a correlation of the dividend per share, in absolute terms, with that of the previous period. There is no guarantee that these links can be ensured in the future.
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Table 3: Dividends distributed by SNN (2019-2021)

Ratio [lei]	**2019**	**2020**	**2021**
Net profit (a)	**535,667,264**	**699,322,229**	**1,036,261,626**
Distribution to the statutory reserve (b)	-31,563,785	-40,770,431	-60,204,665
Other reserves representing fiscal facilities provided by the law (c)	-5,682,083	-5,424,567	-19,130,130
Net profit distributable as dividends (d) = (a) + (b) + (c)	**498,421,396**	**653,127,231**	**956,926,831**
Employee participation in profit (e)	-18,700,000	-21,326,448	-20,000,000
Net profit, as basis for dividend distribution calculation (f) = (d) – (e)	**517,121,396**	**674,453,679**	**976,926,831**
Proposed dividends (g)	**498,421,396**	**472,117,575**	**595,925,367**
Dividends allocated	498,421,396	472,117,575	595,925,367
Profit distribution rate (%) = (g)/(f)	**96.38%**	**70.00%**	**61.00%**
Profit distribution rate^2 (%) = (g)/(d)	**100.00%**	**72.29%**	**62.27%**
Number of shares*	**301,513,851**	**301,643,894**	**301,643,894**
Gross dividend per share	**1.65**	**1.57**	**1.98**

1.3. SWOT analysis

Table 4: SNN SWOT Analysis

Strengths (S)	Weaknesses (W)
► Operational stability and excellence, translated into high performance indicators and a high EAF (>90%) that increase the Company's competitiveness. ► The production process is based on an efficient technology, and the fuel bundles are produced in house. ► High and stable financial performance. ► Prudent management of investments and expenditure, at the same time with investing in long-term sustainability and the future of the Company (e.g. refurbishment, U3&U4, SMR, production integration, EN, ES). ► Prudent risk management with a smooth internal circulation of the risk information and a risk-informed decision-making mechanism (RIDM – Risk Informed Decision Making). ► Predictability of the operation and maintenance costs, relatively low operating costs. ► Industry expertise in the nuclear energy production and sales. ► Stable relationships and credibility in the business environment. ► Highly qualified human resources. ► Development of an organizational culture that considers diversity and inclusion. ► Involvement in local and national educational and social projects, with an increasing social impact.	► Dependence on single suppliers of raw materials (heavy water, process water and uranium dioxide), equipment, spare parts and services. ► Reduced bargaining power with suppliers of critical equipment/services. ► Rigidity of supply chain due to the legislative framework – discrimination against European competitors because of the restrictive legislation. ► Bureaucratic culture. ► Not optimized organizational structure, rigid processes.

Opportunities (O)	Threats (T)
► Development of new projects (CTRF, Cobalt-60, U3&U4) and innovative technologies (SMR). ► U1 Refurbishment. ► Vertical integration (by taking over the business of CNU branch and the extraction activity) and business diversification (by setting up subsidiaries). ► A trend of rising electricity prices. ► European decarbonization energy policy and reconsideration of the role of nuclear energy in the mix required for a decarbonized economy. ► Usage of the capital market through issuance of new financial instruments, as a fundamental pillar of financing large investment projects. ► Sale of tritium before deployment of the detrition plant. ► Digitalization of the activities.	► Going through a number of crises: economic, geopolitical and climate-related. ► Climate-related and hydrological events that could cause the unscheduled business interruption due to the climate changes generated by the increase in greenhouse gas emissions. ► Volatility of electricity prices. ► Financing of nuclear industry is little attractive for institutional investors. ► Contradictory views at EU level as to the future of nuclear energy. ► Potential new strict regulations for the licensing and operation of nuclear power plants. ► Unpredictable and unclear legislative provisions. ► Attraction and retention of staff with rich experience and expertise. ► Aging of the human resources and the limited attractiveness of the nuclear industry for the young generation. ► The migration of highly-skilled staff to new nuclear projects due to the shortage of specialists in the national/global industry.

2. General objectives

According to the Letter of Expectations issued by the Ministry of Energy, the vision of the line ministry and of the shareholders is reflected in 12 general objectives aligned with the vision, mission and values of SNN, as shown in Table 17.

Table 5: General objectives of SNN

Values	General objectives
Professional excellence	1. Ensuring an energy production at the level of the industry related standards being the first 25 % (top quartile - in WANO/INPO terminology) reactors in the world from the point of view of the capacity factor mediated during the commercial operation ("since in service"). 2. Achieving the planned physical production of fuel bundles, in accordance with the approved income and expenditures budgets, respectively with the manufacture plans of Pitești Nuclear Fuel Plant Branch.
Care for employees	3. Continuously optimizing and increasing the efficiency of the organizational structure of the Company, developing and implementing the human resources strategy at the company level by reference to the activity volume, as well as to complexity of the investments projects developed.
Safety and sustainability	4. Operation of nuclear units in nuclear safe and security conditions for the staff, population, environment and production assets.
Empathy and responsibility	5. Consolidating the external communication strategy as the basis for a sustainable development, closely related to the acceptance and public support for nuclear energy in Romania.
Sustainable development	6. Putting in place the organizational framework for the development of the group structure which should integrate all SNN subunits, branches and subsidiaries. 7. Capitalizing the electricity production, in conditions of economic efficiency and predictability. 8. Ensuring the financial performance of the Company in conditions of economic efficiency and medium-term and long-term sustainability. 9. Developing investment projects in compliance with the approved investments goals. 10. Implementation of projects to modernize, integrate and secure the information flow and IT infrastructure (hardware, software and cybersecurity). 11. Developing the internal control system within S.N. Nuclearelectrica S.A. 12. Compliance with the principles of corporate governance and the code of ethics and integrity.

Professional excellence

1. **Ensuring an energy production at the level of the industry related standards being the first 25 % (top quartile - in WANO/INPO terminology) reactors in the world from the point of view of the capacity factor mediated during the commercial operation (since in service)**

Currently, SN Nuclearelectrica SA, through Cernavoda NPP, covers for approximately 18% of the national electricity consumption, at a cumulative capacity factor since commissioning of 92.32% in 2022, far exceeding the 80% set out according to the initial project.

The installed power utilization factor for each operational unit and cumulatively for Cernavoda NPP is shown in the table below, both annually (2019-2022) and for the entire period since commissioning.

Installed power usage coefficient (capacity factor) of SNN units and cumulatively for Cernavoda NPP, % (2019-2022)

Cernavoda NPP	***2019***		***2020***		***2021***		***2022***	
	Annually	Since commissioning	Annually	Since commissioning	Annually	Since commissioning	Annually	Since commissioning
Unit 1	93.86	90.68	87.29	90.54	96.19	90.77	81.42	90.41
Unit 2	89.18	94.15	98.32	94.45	87.02	93.95	98.60	94.23
Cumulatively	91.52	92.42	92.81	92.5	91.61	92.36	90.01	92.32

Source: SNN analysis

Capacity factor since commissioning and until the end of 2022 (Top 10 CANDU)

Position	***Unit***	***Capacity factor since commissioning and until the end of 2021***
1	CERNAVODA-2	93.95
2	WOLSONG-4	92.1
3	WOLSONG-2	91.4
4	CERNAVODA-1	90.77
5	WOLSONG-3	86.8
6	DARLINGTON-4	85.5
7	BRUCE-5	85
8	BRUCE-7	84.8
9	BRUCE-8	83.2
10	DARLINGTON-3	82.1

To attain this objective, SNN considers:

- Preparation of maintenance and repair plans to increase equipment and system reliability, and safely and securely operate the nuclear units;
- Implementation of PLIM (preventive maintenance for critical systems, equipment and components) programmes, observing the set confidence period;
- Implementation of programmes to replace the used and discontinued components and equipment;
- Efficient, safe and high-performance scheduled shutdowns (through benchmarking & lessons learned).

2. Achieving the planned physical production of fuel bundles, in accordance with the approved income and expenditures budgets, respectively with the manufacture plans of Pitești Nuclear Fuel Plant Branch

To attain this objective, SNN considers:

- Diversification of the supply sources of raw materials needed to produce nuclear fuel by:
  - Monitoring and reporting on the stocks built in accordance with the SNN Policy for ensuring raw material, fuel and fuel bundle supply safety
  - Commencement of technical discussions in order to qualify new suppliers of Zy-4 and Colloidal Graphite products and agreeing on a qualification timeline with them
- Completion of the annual manufacturing plan of NFP Pitesti, by:
  - Completion of the monthly physical production
  - Maintaining the capability of the technological production processes
  - Rendering the product control process for effective
  - Optimizing the UO2 pill production costs
  - Optimizing the component and fuel bundle production costs
  - Improving the behaviour of the manufactured nuclear fuel in the reactor

Care for employees

3. Continuously optimizing and increasing the efficiency of the organizational structure of the Company, developing and implementing the human resources strategy at the company level by reference to the activity volume, as well as to complexity of the investments projects developed

To attain this objective, SNN considers:

- Adoption of a human resources strategy aimed at attracting, training and retaining the staff, by:
  - Improving the composite diversity rate by optimizing the recruitment process;
  - Improving the degree of maintaining / attracting highly qualified staff, under the conditions of a specialized labour market;
  - Optimizing recruitment and selection process in order to make it more efficient, and increase its quality and integrity;
- Rendering more efficient the organizational structure, based on good corporate governance rules, by:
  - Ensuring workforce for projects with long implementation terms by planning the human resources needs for a 10-year period;

- Improving the human resources strategies and policies with the requirements of nuclear security regulations and depending on the organizational changes;
- Maintaining the degree of occupancy of the SNN organizational chart by providing specialized support to the heads of departments/units in organization and efficient performance of the staff recruitment/selection/employment processes;

- Development of a leadership model rooted into the specific nuclear excellence requirements;
  - Development of a leadership model by successfully completing the measures assigned under the WANO Plan to the Human Resources function, according to the agreed timetable;
  - Maintaining the degree of occupancy of the Succession Plan at a minimum of 93%;
- Improving the professional training of the staff by completing the annual training programme;
  - Increasing the degree of implementation of the annual professional training plan to a minimum of 90% of the planned actions.

Safety and sustainability

4. Operation of nuclear units in nuclear safe and security conditions for the staff, population, environment and production assets

The nuclear units operate under nuclear safety and security conditions with a view to minimizing the risks attached to exposure of the staff rendering professional activities, the population and the environment to ionizing radiation.

The permanent maintenance of a high level of nuclear safety in all phases of performance and operation of nuclear objectives and facilities is of vital importance and constitutes the first priority for SNN.

SNN has developed and respects a nuclear safety policy that was approved by NCNAC, in order to maintain a high and constant level of nuclear safety in all phases of the commissioning and exploitation process of nuclear installations. The nuclear safety policy provides guarantees of good execution for all important activities regarding nuclear safety, in all phases of implementation and exploitation of nuclear installations. This document confirms that the nuclear security requirements take priority over any other requirements, considerations and interests.

The nuclear safety philosophy of CANDU-type power plants is based on the concept of “Defense in Depth", which ensures gradual protection in the event of equipment failures, human errors, transient regimes anticipated in operation or accidents, including severe accidents. For the implementation of this concept, the project foresees a number of successive protection barriers against the uncontrolled release of radioactive materials into the environment. In addition to the five major barriers against the release of fission products to the population from a CANDU-type power plant: fuel bundle matrix, fuel bundle element sheath, primary circuit enclosure, envelope enclosure and exclusion zone; passive or active characteristics have been included in the system design, intended to prevent or limit the consequences of a process failure or accident sequences, which could otherwise lead to releases of radioactive materials into the environment.

Cernavoda NPP, together with AECL Canada and Ansaldo Italy, issued the "Report on Reassessment of the Nuclear Safety Margins". The assessment conducted proves that Units 1 and 2 of Cernavoda NPP meet the nuclear safety requirements set out under the design and can face severe earthquakes and floods, as well as the total loss of electricity supply and cooling water. In addition, methods and procedures were identified and implemented for the management of potential severe accidents. Also, methods were identified and implemented to prevent and limit the consequences of accidents that can cause melting of the active area. In order to ensure good coordination with the competent Local Public Authorities on the

response to emergency situations, Cernavoda NPP has set up two important facilities for the town of Cernavoda, namely: The Local Centre for Emergencies of the Cernavoda Municipality and the Personal Decontamination Area, in the Cernavoda Town Hospital.

Cernavoda NPP also runs a Periodic Nuclear Safety Review (RPSN) programme, complying with the requirements of the NCNAC NSN-10 "Rules for periodic nuclear safety review for nuclear power plants", but it also follows the recommendations of the IAEA guide SSG-25 "Periodic Safety Review for Nuclear Power Plants". The assessments are carried out by external organizations, and the purpose of this programme is to have systematic nuclear safety assessments of the important aspects related to the design and operation of a NPP performed, to confirm that the plant is safely operated, and to identify workable measures to implement with the view to attaining a level of nuclear security as close as possible to that set out under the current standards. The RPSN results obtained to date for Cernavoda NPP confirm that the plant is safely operated, , and Cernavoda NPP takes also practicable measures to achieve a level of nuclear security as close as possible to that imposed under the current standards. Furthermore, having reviewed the results of the RPSN assessment, improvement measures have been defined and are implemented to increase the nuclear safety of the plant.

To attain this objective, SNN considers:

- Ensuring compliance with the regulations (requirements for NCNAC, environmental, etc. permits/authorizations);
- Maintaining maximum availability of the engineering and safety functions in order to ensure compliance with the nuclear safety regulations;
- Implementation of the WANO/IAEA/NCNAC, etc. recommendations;
- Improving the nuclear fuel project.

Empathy and responsibility

5. Consolidating the external communication strategy as the basis for a sustainable development, closely related to the acceptance and public support for nuclear energy in Romania

To attain this objective, SNN considers:

- Maintaining the degree of acceptance of the use of nuclear energy in Romania and SNN's strategic/investment projects, by:
  - Increasing efficiency in the management of image crises
  - Constantly raising awareness of the public about the benefits and safety of nuclear energy as a clean source of energy; the benefits of SNN's strategic projects, including SMR; the efforts made by the Company to consolidate production and meet the nuclear safety and environmental protection requirements; the Company's position in the global ranking of nuclear performance and security, socio-economic impact, employer brand and CSR campaigns.
- Building and maintaining an ALL SNN sound organizational culture, based on a commitment to nuclear security, continuous improvement ("Staying on Top") and respect for MVV (values, mission and vision), by:
  - Maintaining and building an ALL SNN sound organizational culture, based on a commitment to nuclear security, continuous improvement ("Staying on Top") and respect for MVV (values, mission and vision)
  - Maintaining the Company's nuclear safety, performance and stability standards;

- Building ownership among all employees (ALL SNN) so that they get involved and contribute to attainment of the Company's objectives, mission and vision;

- Consolidation of the Nucleu de Execelenta (Core of Excellence) employer brand in order to retain, attract and train a new generation of employees for SNN's strategic projects, by:
  - Advancing career opportunities in the nuclear industry in order to attract and train a new generation of nuclear scientists for the Company's current needs, as well as for its strategic projects (for 2030-2031)
  - Making all employees (ALL SNN) more responsible so that they get involved and contribute to the training of a new generation of nuclear specialists
  - Advancing the openings @ALL SNN in order to improve recruitment and attraction of valuable employees
- Consolidation of SNN's image as a company with a major socio-economic impact in Romania, including by promoting the CSR platform - Nucleu de Bine (Core of Good), by:
  - Implementing the GRI reporting standard and making the successfully completed projects known to stakeholders;
  - Promoting the CSR platform - Nucleu de Bine (Core of Good) and the socio-economic impact of SNN at the national level and in the local communities;

- Continuing implementation of the IR strategy in order to maintain trust and a positive perception and to improve SNN's position on the capital market, including by developing and implementing the ESG measures in SNN:
  - Maintaining IR SNN in the top of the best positioned companies and maintaining liquidity in FTSE Russell through MM services;
  - Compliance with all legal provisions and recommendations of the Romanian capital market institutions as regards the corporate governance principles;

- Promoting the position of SNN as a Core of High-Performance companies, a reference for the region: operator of choice, hub for training of future regional operators, by:
  - Promoting SNN internationally through media actions;
  - Putting in place the organizational framework needed to implement the strategic projects and conduct international relations, by issuing the regulatory documents during the set time period.

Sustainable development

6. Putting in place the organizational framework for the development of the group structure which should integrate all SNN subunits, branches and subsidiaries;

To attain this objective, SNN considers:

- Integration of the subsidiaries into the reporting system and development of the control capabilities across the Group so that SNN S.A. can control of decisions and operations carried out in its affiliates, by creating a group structure that meets the needs for increased efficiency and control for all HR activities, ensuring the reporting and operational interface for integration of the activity of SNN's subsidiaries, and updating the SNN Management System Manual according to the decisions of the SNN management concerning the Group's, structure.

- Rendering operational the SNN subsidiaries (Nuclearelectrica Serv S.R.L. and Fabrica de Prelucrare a Concentratelor de Uraniu S.R.L.).

7. Capitalizing the electricity production, in conditions of economic efficiency and predictability;

To attain this objective, SNN considers:

- Electricity contracting to ensure the financial stability of the Company and mitigate the risk of electricity price volatility under the regulations in force;
  - Ensuring the predictability and stability of income by limiting the effects that electricity price fluctuations generate on income by supporting the production activity through medium and long-term contracting, adapted to the market conditions and the regulations in force;
- Adapting the trading on electricity markets where there is sale potential, for a better optimization of the financial results;
  - Controlling the imbalances caused by the unscheduled shutdowns of the NPP, by offering to buy electricity to replace the unrealized production;
  - Putting up offers with the aim of increasing the income predictability by diversifying the products/sale markets, adapted to the specific market conditions;
- For 2023-2026, setting the goal to have income from the sale of electricity greater than or equal to the budgeted income under the regulatory conditions applicable on the IEB approval date.

8. Ensuring the financial performance of the Company in conditions of economic efficiency and medium-term and long-term sustainability;

To attain this objective, SNN considers:

- Consolidation of the Company's operating cash-flows in order to ensure the necessary liquidity, with an emphasis on realization of the investment plan and distribution of dividends in line with the shareholders' expectations;
  - Attracting financing in the form of bank loans, to finance the CTRF project, in line with the Project's implementation schedule, by obtaining a binding financing offer and/or signing a loan agreement;
  - Devising the financing strategy for the Unit 1 refurbishment project, in accordance with the agreement concluded with the European Investment Bank ("EIB");
  - Selection of a Bank to act as an arranger/financing party ("MLA") to raise financing in the form of bank loans to finance the Unit 1 refurbishment project, in accordance with the Project's implementation schedule;
- Ensuring the activities/support processes needed for completion of the production/activity plans approved under the annual budgets:
  - Ensuring compliance with the observation plan and the inspection plan and performance of the NSRB assessment before the assumed time-limits;
  - Maintaining a high accuracy for the documents prepared for the support activities
  - Maintaining a strong control over the budget's execution (variations within the reasonableness limit of the expenditure made vs the budgeted amounts);
  - Ensuring compliance with the legal provisions in force by approving a new Articles of Incorporation for SNN and its Subsidiaries (updated);
    - Streamlining the procurement process by increasing the procurement initiation and processing rate in accordance with the approved Annual Procurement and Services Plan (PAAS);
    - Performance of monthly comparisons between the income made from the sold production and the budgeted income, and provision of regular, clear, relevant, accessible and timely reports;
    - Systematic and regular monitoring of the existence, status and conditions of NPP's assets, in a measurable, relevant, accessible and timely manner, so as to ensure the integrity and efficiency of their management;
    - Maintaining a high degree of availability of the IT applications and databases;

9. Developing investment projects in compliance with the approved investments goals;

To attain this objective, SNN considers:

- Implementing projects needed to maintain the existing energy production capacity:
  - Refurbishment of Cernavoda Unit 1 to extend its lifetime by 30 years;

    The components of the nuclear reactor of CANDU 600 power plants (such as Unit 1) were designed for a lifetime of 210,000 hours of operation at rated power (EFPH-Effective Full Power Hours), which translates into a service lifetime of approx. 30 years, at an installed capacity utilization factor of 80%, which will be reached at the end of 2023.

    Over the recent years, due to the fact that a number of CANDU-type units are approaching the limit of 210,000 EFPH, the nuclear industry has conducted researches on the behaviour of the reactor set's components over time, as well as on the aging mechanisms that affect them, with a view to extend their lifetime beyond the limit estimated by the reactor's designer - AECL (currently, Candu Energy), with a result that can reach 245,000 EFPH for Cernavoda NPP's U1.

    Extension of the service lifetime of Unit 1 will be a two-stage process:

    1. Extending the operation of Unit 1 from 210,000 Effective Full Power Hours to a rated power of 245,000 hours

    The Safety Case Report issued further to performance of the contract for "Integrated Engineering Services concerning analyses and assessment of the reactor set in order to prove the functionality of Unit 1 of Cernavoda NPP up to 245,000 Effective Full Power Hours" with CANDU Energy was accepted by NCNAC in March 2022. This will be the technical basis for performance of nuclear security analyses aimed at proving operation of Unit 1 with more than 210,000 Effective Full Power Hours at rated power, and for the review of the Final Safety Case Report. This will substantiate an application to NCNAC for extension of U1's Operation Permit, including also the operation requirements beyond the 210,000 Effective Full Power Hours at rated power, as set out in the initial design.

    2. Implementation of the Unit 1 Refurbishment Project, with a view to keeping it in serve for another 30-year life cycle

    Phase 1 of the project commenced in December 2017 and was mainly aimed at scoping (retubing activities, implementation of design changes and recommendations from the assessment of the conditions of its systems and components, and providing the infrastructure required for the project), preparation of the feasibility study and having the Decision to Invest in the project approved.

    Phase 2 of the project commenced after approval of the Decision to Invest, and covers contracting the works identified and defined within the first phase, securing the financial resources, obtaining all the necessary approvals and clearances, preparation of the detailed designs, procuring the necessary equipment and preparation of the work packages for implementation of the refurbishment activities, planning the implementation of these activities, and staff training. Phase 2 is due to end at the shutdown of Unit 1, after the end of its first life cycle.

    Phase 3 of the project will commence at the shutdown of Unit 1, and consists of effective performance of the works under the Refurbishment Project, followed by commissioning of the unit and its test operation. The planned time for implementation of Phase 2 is 32 months.

- Refurbishment of Feldioara and Opening of the Uranium Mines at completion of the takeover of the assets of the National Uranium Company (CNU) by SNN, the upgrading of these assets and the opening/operationalization of the uranium mines;

  The objectives of the upgrading project are:

  - ✓ Taking over and putting into service, in FPCU – Feldioara SRL, the plant for purification and conversion of technical uranium concentrates into sinterable uranium dioxide powder.
  - ✓ Transfer and operationalization, in FPCU - Feldioara SRL, of the mining concession license for Tulghes - Grinties uranium ore.
  - ✓ Adoption of the strategy to cover for the consumption needs and the intangible stock of technical uranium concentrates; diversification of the supply sources, transport routes and range of technical uranium concentrates.
  - ✓ Maintaining the designed production capacity of the plant for purification and conversion of technical uranium concentrates into sinterable uranium powder.
  - ✓ Refurbishment and development of the production capacity of the new plant for purification and conversion of technical uranium concentrates into sinterable uranium powder; commissioning and maintaining the designed production capacity.
  - ✓ Construction and operationalization of the uranium ore processing plant (coming from Tulghes – Grinties underground mine/quarry) in the form of technical uranium concentrates.
  - ✓ Assessment of construction feasibility and commissioning of the plant for uranium recovery from the controlled-stored process tailings in Cetatuia II settling pond.
  - ✓ Ventures with other companies interested in extraction and sale of domestic or foreign mineral resources used to obtain materials needed by the nuclear energy industry (uranium, magnesium, beryllium, graphite, zirconium, REE, nickel, cobalt, etc.).
  - ✓ Ventures with other companies interested in construction of photovoltaic energy production facilities on non-productive and/or degraded land in the proximity of the entity.
  - ✓ Ventures with other companies interested in production diversification by obtaining nuclear raw materials used to manufacture of nuclear fuels.

- Changing the intended use of Unit 5 through construction and operationalization of an On-Site Emergency Control Centre;

  The objectives of the project consist in the construction and operationalization of an On-Site Emergency Control Centre, consisting of a contained enclosure, with special operation requirements and standards for emergencies, creating a facility in the integrated building (emergency shelter, fire safety and fighting shed, Administrative Area for the emergency response staff, technical spaces for sanitary, electrical, ventilation and security equipment, Heating plant on the Platform of Cernavoda NPP, Garage equipped according to the requirements for parking of mobile response groups (mobile diesel generators in case of a total loss of electricity supply - Station Black Out)), performance of construction works to complete the building's infrastructure, closing the holes in the enclosure wall of the building, completing the roof, repairs and rough interior finishes for future uses of the building, providing the site adjacent to the buildings concerned with fencing and physical protection checkpoints, staff and car access, including access roads, all at a level higher than the flood level set out under the standard.

- Performance of the DICA project in accordance with specific radiological and physical safety standards;

The project is part of the investments the implementation of which, as shown above, conditions the activities of Units 1 and 2 and is a condition for authorization/reauthorization of Cernavoda NPP's operation.

As of 2003, the Intermediate Spent Fuel Storage has been built in stages, as the spent fuel temporarily stored (for at 6 years) in the Spent Fuel Storage Pool of Unit 1/2 of Cernavoda NPP needs to be transferred to DICA.

The Ordinary General Meeting of SNN Shareholders approved the revised "Long-term strategy for development of the intermediate dry spent fuel storage and authorization for extension of the lifetime of Units 1 and 2 harmonized with the observations of NCNAC and the Ministry of the Environment", whereby it approved a change in the required number of modules, by building 6 more MACSTOR 200 modules (modules from 12 to 17), after which, starting with module 18, other 20 MACSTOR 400 modules will be built, so as to ensure the storage capacity for the spent fuel produced by two operating units, U1 and U2, over two life cycles.

So far, 14 MACSTOR 200 modules have been built and taken-over, and the construction works for modules no. 12-17 are in progress.

- Upgrading the fuel bundle manufacturing and control flow;

  The objective of the upgrading project for the NFP Pitesti nuclear fuel plant is to increase the production capacity so as to cover for the need of fuel bundles for 4 Units and to adapt the process flow to new technologies, i.e. gradual transition to a new generation of equipment by means of physical and value implementation of the annual investment with a view to optimizing the existing infrastructure by introducing innovative manufacturing technologies, with a positive impact on productivity, operational safety, energy efficiency and the working environment conditions for the staff and equipment

- Increasing the production capacity in order to ensure the fuel needed for Units 3 and 4 of Cernavoda NPP.

  Currently, the authorized production capacity of FCN is 12,000 FBs/year; therefore, in order to cover the need for 4 CANDU-6 Units, the production capacity must be increased up to 22,000 FBs/year. In order to carry through the plan aimed at doubling the production capacity, preliminary internal analyses were conducted out to identify the needs (for equipment, production and storage spaces, staff, etc.).

  In accordance with the Government Decision no. 643/2007, the first load of nuclear fuel for Units 3 and 4 will be supplied by Romania, via SNN.

  Units 1 and 2 use approximately 10,800 fuel bundles every year, while Units 3 and 4 will increase the annual fuel bundle needs to nearly 21,500 units. In order to supply the nuclear fuel needed for Units 3 and 4, NFP Pitesti will have to double its production capacity; these plans that are still under discussion and are subject to negotiations (in accordance with the Investors' Agreement) for a long-term supply contract between SNN and EnergoNuclear.

- Implementation of projects needed to expand the electricity generation capacity:

  - Performance of the Cernavoda CANDU Units 3 and 4 project for development, via the special purpose vehicle Energonuclear S.A., of new electricity generation capacities at Cernavoda using the CANDU technology;

    "The 2019-2030 Romanian Energy Strategy towards 2050" proposes specific targets, sets out clear directions, and defines the milestones whereby Romania shall secure its position as regional

energy producer and an active and important actor in managing stress situations at the regional level; the development of the energy sector is directly proportional to implementation of some strategic investment projects of national interest, among which completion of Cernavoda NPP's Units 3 and 4 Project is a priority.

Also, completion of the Project for Units 3 and 4 of Cernavoda NPP considers capitalising on existing assets of a considerable value that are part of the state property, i.e. the heavy water and the uranium octoxide and, respectively, the property of SNN, i.e. lands, buildings, equipment etc., as well as the property of EN, i.e. intangible assets etc., according to the law.

With a view to deploying the national nuclear programme, the Government of Romania and the Government of the United States of American signed, on 9 December 2020 in Bucharest, and on 4 December 2020 in Upper Marlboro, the Cooperation Agreement Towards the Cernavodă Nuclear Power Projects and the Civil Nuclear Power Sector in Romania, which was ratified under Law no. 200/2001.

At present, the negotiation of the final version of the Support Agreement between the Romanian State and S.N. Nuclearelectrica S.A. for the Cernavodă NPP Units 3 and 4 Project is concluded as the parties reached an understanding as to the final version of this document.

According to the Strategy approved by shareholders, the Project is to be developed by the special purpose vehicle company, EnergoNuclear S.A., a company that is currently 100 % owned by SNN, in successive stages:

Stage I – Preparatory stage: was carried out in years 201-2022, with the main objectives of operationalizing again the EN special purpose vehicle, updating of the necessary documentation for the project (authorization underlying documents, nuclear safety guidelines, etc.), contracting legal assistance services and any other studies/reports/assessments needed to keep the project within the budget limits set for this stage.

The approved Strategy also provides, as a precondition for taking the Preliminary Decision to Invest and advancing to Stage 2 of the Project, for conclusion of an Agreement between the Romanian State and SNN, laying down the responsibilities of the parties as to financing, the adoption of the support mechanisms, and ensuring the infrastructure conditions for completion and operation of the Project. This Agreement was approved by the Romanian Government, at the proposal of the Ministry of Energy, in December 2022.

Stage II - Preliminary works: having as main objectives development of the critical engineering: „Limited Notice to Proceed – LNTP", for the project to be defined by a third party, structuring and contracting financing and agreeing on an appropriate contractual architecture for implementation of the Project, obtaining the favourable Opinion of the European Commission further to the Project Notice according to Article 41 of the EURATOM Treaty and a positive decision in accordance with the relevant European provisions on State Aid, obtain the Nuclear Security Authorization for the Construction Phase and have the Final Investment Decision taken for advancement to **Phase III (Construction).**

- Performance of SMR Doicesti Project for development of an electricity generation capacity in a small modular reactor (SMR) nuclear power plant.

  The Small Modular Reactors (SMR) Project consists of completion and commissioning of six NuScale Power Module NPM™ modular units on the site of the former Doicesti thermal power plant, with a gross installed power of 462 MWe (6 x 77 MWe).

The first key milestone of the project was reached on 27 October 2022, by signing the first major contract, the FEED 1 (Front-End Engineering & Design) contract, with NuScale, in Washington, of which USD 14 million was financed by a USTDA (US Trade and Development Agency) grant, in force between November 2022 and July 2023. In December 2022, the Licensing Basis Document (LBD) contract was signed in order to devise and put in place a necessary and timely legislative framework for deployment of the SMR project in Romania.

The final investment decision will be made once ore prerequisites are met, and is conditional upon obtaining the necessary permits and approvals, which include the site authorization due to be issued by NCNAC based on NSN-01 and subsequent approval under a law of the site based on the provisions of Article 5(1) of Law no. 57 of 17 March 2006 amending and supplementing the Government Ordinance no. 7/2003 on the use of nuclear energy for exclusively peaceful purposes.

- SNN projects to increase the footprint of the nuclear industry in Romania and in the region:

  - Performance of the CTRF project with a view to operationalizing a plant for tritium removal from heavy used water and devising a commercial sale strategy;

    Implementation of this project aims to ensure maintenance of the tritium concentration from heavy water contained in the nuclear systems of the plant at a low level, thus reducing of the contribution of tritium to the doses of the operating staff, the reduction of the radioactive emissions in the environment and of the quantities of radioactive waste.

    The project's implementation strategy relies on conclusion of an EPC (Engineering Procurement Construction) contract with an economic operator or an JV with experience in such facilities, selected based on a competitive procedure performed according to legal provisions, which will use the catalyst (the essential component of tritium isotopic separation technology) and the isotopic exchange columns produced by ICSI RM Valcea. Thus, the results of the Romanian researches in this field shall be put to use, while ensuring the independence of the supply chain for the catalyst, under the circumstances of an international situation likely to become volatile.

    Given the scope and particularities of the project's technology, the necessary resources and expertise are to be obtained via OE (Owner's Engineering) engineering support services provided by an organization that masters the necessary knowledge and experience on the detrition technology and is able to provide the necessary support to the beneficiary as to initiation, negotiation and performance of the EPC contract and to the relations with authorities (to obtain the necessary permits, approvals and clearance) in the permitting of the Detrition Plant project.

    The project's implementation schedule spans over a 4-year period, including the test operation.

  - Medical Isotopes Project - taking the steps needed to invest in production and sale of medical isotopes (Co60, Mo99).

    The main objective of the project is to ensure the long-term production of Co-60, increase the supply security at the European and global level, and provide an alternative source of Co-60.

10. Implementation of projects to modernize, integrate and secure the information flow and IT infrastructure (hardware, software and cybersecurity);

SNN aims to speed up the digitalization of its internal processes as a factor that adds efficiency to the current activities and helps attain its objectives. In this regard, the SNN management team will pay increased attention to the digital transformation of processes, increasing digitalization, optimization and automation of important fields that represent functional and operational capabilities. These capabilities are aligned with the Company's development strategy and major projects and require implementation of

technologies to render the internal activity more efficient through digitalization of processes and use of aggregated data to provide decision-making support.

In SNN, the IT&C ecosystem is complex and supports both the common business activities and technological process activities, and relies on three important pillars:

- IT&C/OT technologies represented by a suite of various technologies, from common ones, such as electronic mail, to digital process systems;
- the internal governance framework based on processes specific to the IT&C field and cyber security, aligned with the industry's requirements;
- a team of experts who ensure the technical capacity to manage the support infrastructure.

To attain this objective, SNN considers:

- Speeding up Digitalization of the processes and workflows in order to streamline the bureaucratic processes and make costs more efficient/Increasing the digital experience - "Digital workplace";
- Increasing the resilience of the IT&C infrastructure and ensuring the technical means needed to implement the business continuity plan;
- Ensuring compliance with the legislative and regulatory framework applicable to cyber security;
- Increasing the security of access to SNN's IT resources and telework;.

11. Developing the internal control system within SN Nuclearelectrica S.A.;

The organizational model of SNN aims to ensure compliance with legal requirements of segregation and independence of the defence levels, assimilation of the good practices and international internal control standards defined under the COSO model - Committee of Sponsoring Organization - Internal Controls Framework - focused on improving the quality of financial reporting by advancing business ethics, an effective internal control and corporate governance.

Thus, in SNN and across the Group, implementation and application of the internal control standards aim to ensure the corporate governance principles, as well as genuine bases for improving economic efficiency and, implicitly, the value of the company and the investment climate and increasing the level of transparency and trust, for the benefit of all interested parties, shareholders, business partners and employees.

The management of S.N. Nuclearelectrica S.A. is involved in implementation and continuous improvement of the management internal control system (MICS-MC), ensuring the organizational framework and allocating resources for the MICS-MC development, and for assimilation of the good international practices, as a foundation for a systemic and transparent administration of the organization and the basis for attainment of the objectives under of regularity, effectiveness, economy and efficiency conditions.

With a view to consolidating and developing SNN's internal control system, the Company envisages:

- Developing and adapting SCIM by assimilating good practices, so that it becomes a useful managerial instrument in order to reasonably ensure that the management goals are achieved, that interests and expectations of shareholders are complied with;
- Ensuring the adequacy of the internal control system's architecture, while expanding and aligning the regulatory framework at subsidiary level;
- Proactively maintaining and developing the risk management process in SNN;
- Improving the entity's internal control system through assurance and counselling activities performed by the internal audit function.

12. Compliance with the principles of corporate governance and the code of ethics and integrity.

Corporate governance is an essential element of a company in attainment of its objectives, improving efficiency and ensuring economic growth with a view to increasing the trust of shareholders and investors. Implementation of the corporate governance rules ensures a transparent decision-making process, substantiated by clear and objective rules aimed at building the trust of shareholders in the Company.

SNN continued to implement the good corporate governance practices so that its internal practices support professional management and efficient control, and fully meet, quality-wise, the requirements attached to the company's status of entity admitted for trading on the BSE.

To attain this objective, SNN considers:

- Compliance with legal provisions and recommendations of the Romanian capital market institutions as regards the corporate governance principles;
- Taking over the nuclear industry's corporate governance best practices;
- Maintaining a sustained and formalized activity of all staff to become acquainted with the principles and provisions of the procedural framework related to the implementation of the National Anticorruption Strategy.

3. Financial and non-financial performance indicators

The performance indicators can be found in the annexes to this document, as follows:

- Annex 4 - Performance indicators for the non-executive directors of SN Nuclearelectrica SA during the term of their contracts of mandate
- Annex 5 - Performance indicators for the executive director and the executives under contracts of mandate with SN Nuclearelectrica SA during the term of their contracts of mandate

In order to ensure selection of the most appropriate performance indicators, a detailed analysis was carried out in advance, which considered the legislative perspective, the code of the Bucharest Stock Exchange and the relevant best practices, as resulting from the benchmarking against other representative companies.

Legal qualification elements

The methodology for determination of the financial and non-financial indicators and the variable component of the remuneration of directors and executives is regulated by the Government Decision no. 722/2016 for approving the Methodological Norms for applying some provisions of the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises (Decision no. 722/2016). This piece of legislation sets the legal framework for measuring performance of public enterprises, as well as the procedures to be followed in order to determine the financial and non-financial performance indicators.

According to Article 2 of the Implementing Rules under the Decision no. 722/2016, the Company's performance measurement is a process intended at improving the activities and use of the Company's resources in order to attain its objectives, as set and shown in the letter of expectations, as effectively as possible.

The same piece of legislation further defines the performance indicators as those instruments for quantitative and qualitative measurement of financial and non-financial performance, that indicate attainment of the quantifiable objectives against specific performance targets.

According to Article 9 of the Implementing rule, assessment of the Company's directors work considers the progress made in attainment of the objectives included in the administration plan and of the financial and non-financial performance indicators included in the contract of mandate (key performance indicators - KPIs). Also, the results of this assessment of the directors' work are the basis for granting the variable component of the directors' remuneration.

Selection of the KPI categories listed in Annex 4 and Annex 5 to the administration plan considered the methodology and principles laid down under the Implementing Rules, by reference to (i) the KPIs relevant for the industry the Company operates in, (ii) the size and purpose category the Company is included in, according to Annex no. 2b of the Implementing Rules, and (iii) the relevance of the KPIs for the management of the Company.

Determination of the KPIs listed in Annex 4 and Annex 5 of the administration plan observed the provisions of Article 37(2) and(3) of the Government Emergency Ordinance no. 109/2011, according to which the performance indicators set for non-executive directors are different from those set for the for executive directors and the executives under contracts of mandate. Also, the differentiated determination of the KPI categories and their weights for the executive and non-executive directors are justified by their different responsibilities, as well as by the provisions of Article 25 and Article 26 of the Implementing Rules. According to these provisions, for non-executive directors, a large part of the variable component

must stem from their specific responsibilities for the corporate governance activities, with a weight ranging between 50-75% for the KPIs related to corporate governance, while for executive directors and executives under contracts of mandate, the bulk of the variable component must stem from their responsibilities related to the operational, financial and non-financial activities, with a weight ranging between 25-50% for financial KPIs, and 10-25% for operational KPIs.

4. Annexes

4.1. Annex 4 – Performance indicators for the non-executive directors of S.A. Nuclearelectrica S.A. during the term of their contracts of mandate

#	Objective/Performance indicators		Review tool	Target values for performance indicators			
	Name of indicator	weight in the variable component		2023	2024	2025	2026
	Governance indicators						
1	Financial reporting transparency	11%	Publication of financial information in accordance with the financial timetable	100%	100%	100%	100%
2	SMIC standards implementation	11%	Annual report on the management internal control system	100%	100%	100%	100%
3	Risk management process monitoring	11%	Quarterly risk management report	Achieved	Achieved	Achieved	Achieved
4	Observance of the ethics and integrity standards	11%	Ethical Advisor quarterly report	100%	100%	100%	100%
5	Executive Management performance monitoring	11%	Quarterly report of SNN executives under contracts of mandate	Achieved	Achieved	Achieved	Achieved
	Operational indicators						
1	No operational event that exceeded level 1 on the international scale of nuclear events	2%	INES scale acc. to IEAE.org website	Achieved	Achieved	Achieved	Achieved
2	Obtaining an installed power usage coefficient of at least % (since commencement of commercial operation)	10%	Obtained production MWh/Maximum theoretical production MWh	80%	80%	80%	80%
3	EHS - Annual collective dose	3%	Total dose, average per unit, man Sv (ALARA Quarterly Report)	0.42	0.45	0.42	0.45
4	EHS - Effluents in the environment	3%	MSv/NPP (ALARA Quarterly Report)	200	200	200	200
5	EHS - Maximum admissible dose	2%	mSv/person (ALARA Annual Report)	20	20	20	20
	Financial indicators						
1	Gross profit	6%	Annex no. 1 IEB	80% of the budgeted	80% of the budgeted	80% of the budgeted	80% of the budgeted

#	Objective/Performance indicators		Review tool	Target values for performance indicators			
	Name of indicator	weight in the variable component		**2023**	**2024**	**2025**	**2026**
				figure, but not less than RON 400 mil.*	figure, but not less than RON 400 mil.*	figure, but not less than RON 400 mil.*	figure, but not less than RON 400 mil.*
2	Observance of the total budgeted operating expenditure, except for the contribution to the energy transition fund**	8%	Annex no. 1 IEB	100%	100%	100%	100%
3	Realization of the investment budget	6%	Annex no. 4 IEB	60%	60%	60%	60%
	Indicators directed towards public services						
1	Company's involvement in the community	5%	Report on implementation of SNN's CSR programme SNN (contracting) against the figure set under the approved Income and Expenditure Budget	90%	90%	90%	90%

** in exceptional cases generated by market operation conditions or significant legislative developments, this minimum gross profit target will be reduced by their impact, thoroughly justified, substantiated and transparently communicated*

***contribution to the energy transition fund means the contribution due according to the Government Emergency Ordinance no. 119/2022, as subsequently amended and supplemented, or its equivalent after renaming*

4.2. Annex 5 - Performance indicators for the executive director and the executives under contracts of mandate with SN Nuclearelectrica SA during the term of their contracts of mandate

#	Objective/Performance indicators		Review tool	Target values for performance indicators			
	Name of indicator	weight in the variable component		2023	2024	2025	2026
	Governance indicators						
1	Financial reporting transparency	4%	Publication of financial information in accordance with the financial timetable	100%	100%	100%	100%
2	SCIM implementation, development and self-assessment	4%	Quarterly and self-assessment report on the management internal control system	100%	100%	100%	100%
3	Development of human capital (composite indicator formed of: Rate of occupancy of the organizational chart in accordance with the approved plans and programmes, Rate of occupancy of the successor positions, Rate of staff training and diversity rate)	4%	HR report	80%	80%	80%	80%
4	Assessment of the implementation and effectiveness of the risk management measures	4%	Quarterly risk management report	Achieved	Achieved	Achieved	Achieved
5	Observance of the ethics and integrity standards	4%	Ethical Advisor quarterly report	100%	100%	100%	100%
	Operational indicators						
1	Obtaining an installed power usage coefficient of at least %(since commencement of commercial operation)	10%	Obtained production MWh/Maximum theoretical production MWh	80%	80%	80%	80%
2	EHS - Annual collective dose	6%	Total dose, average per unit, man Sv (ALARA Quarterly Report)	0.42	0.45	0.42	0.45
3	EHS - Effluents in the environment	6%	MSv/NPP (ALARA Quarterly Report)	200	200	200	200
4	EHS - Maximum admissible dose	3%	mSv/person (ALARA Annual Report)	20	20	20	20
	Financial indicators						
1	Gross profit	10%	Annex no. 1 IEB	80% of the budgeted figure, but	80% of the budgeted figure, but	80% of the budgeted figure, but	80% of the budgeted figure, but

#	Objective/Performance indicators		Review tool	Target values for performance indicators			
	Name of indicator	weight in the variable component		**2023**	**2024**	**2025**	**2026**
				not less than RON 400 mil.*	not less than RON 400 mil.*	not less than RON 400 mil.*	not less than RON 400 mil.*
2	Observance of the total operating expenditure, except for the contribution to the energy transition fund**	20%	Annex no. 1 IEB	100%	100%	100%	100%
3	Return on equity	10%	EBITDA/Equity	min 2.5%	min 2.5%	min 2.5%	min 2.5%
4	Realization of the investment budget	10%	Annex no. 4 IEB	60%	60%	60%	60%
	Indicators directed towards public services						
1	Company's involvement in the community	5%	Report on implementation of SNN's CSR programme SNN (contracting) against the figure set under the approved Income and Expenditure Budget	90%	90%	90%	90%

** in exceptional cases generated by market operation conditions or significant legislative developments, this minimum gross profit target will be reduced by their impact, thoroughly justified, substantiated and transparently communicated*

***contribution to the energy transition fund means the contribution due according to the Government Emergency Ordinance no. 119/2022, as subsequently amended and supplemented, or its equivalent after renaming*

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