

**Translation from Romanian**



**CORPORATE GOVERNANCE RULES  
S.N. Nuclearelectrica S.A.**

February 2015

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## 1. Preamble

As a result of an initial public offering for selling 10% of the shares belonging to the company “Societatea Națională Nuclearelectrica S.A.” (hereinafter referred to as SNN), carried out between 9-20 September 2013, starting with 4 November 2013, the shares issued by SNN were admitted to trading in the Equity Section- Tier1 Shares of the Bucharest Stock Exchange (BSE).

SNN is a majority state-owned company listed on the BSE, which mission is to generate electric and thermal power using nuclear power (through the Cernavodă Nuclear Power Plant), to develop the Romanian nuclear power program, as well as to manufacture nuclear fuel (through FCN- Nuclear Fuel Plant-Pitești). The company's goal is to develop all these activities under conditions of maximum safety, providing economic efficiency and protecting the people and environment, assuming corporate social responsibility. In this context, SNN develops and implements corporate principles, and also develops responsible, credible and transparent business practices by substantiating and applying a rigorous framework for sizing and regulating the corporate governance at the company's level.

The international practice shows that, through the implementation and application of codes, policies and principles of corporate governance, the companies ensure not only a balance between conformity and performance but also a real improvement of the economic efficiency and of the investment climate, leading to a maximization of its performance.

SNN, in its capacity as an issuer of securities on the capital market in Romania, elaborates these corporate governance rules of the company, in accordance with the requirements of the Code of Governance of BSE, the NSC (National Securities Commission) Rules no. 1/2006 on issuers and operations of/with securities, NSC Rules no. 6/2009 on exercising some rights of shareholders within the companies' general meeting but also in accordance with the enforcement of the mandatory provisions of some Romanian laws and requirements (Law No. 31/1990, as subsequently amended, Law No. 82/1991, as subsequently amended, Law No. 297/2004, as subsequently amended, the Ordinance 109/2011).

The rules are meant to ensure a proper corporate governance of the company, to provide balance between the administration, management and the assumed performance objectives, on one hand, and control, assessment of performance and efficiency, and proper management of real and potential risks, careful supervision of compliance with the regulations in force, on the other hand.

***The purpose of bringing together the principles of the corporate governance established and implemented by SNN (both through the company's Articles of Incorporation, and also through other internal rules and regulations of the company) in a single document, is to build a respect and trust relationship with SNN's shareholders and investors.***

## **2. Corporate Bodies**

The corporate bodies of SNN are structured as follows: the general meeting of shareholders, which is the highest decision-making forum of the company and the Board of Directors. SNN is a company managed in a unitary system.

### **2.1. General Meeting of Shareholders (GMS)**

The General Meeting of Shareholders is the main corporate governance body of the company, which decides on the economic and business policy and activity of the company.

SNN has established and implemented solid internal procedures governing the organization and development of GMS, as well as rules governing the latter's legal and statutory activity, in accordance with the Articles of Incorporation and the applicable laws.

In terms of its structure, depending on the items which require the approval of the shareholders, the General Meeting of Shareholders may be ordinary or extraordinary.

#### **2.1.1. The Ordinary General Meeting of Shareholders (OGSM)**

The Ordinary General Meeting of Shareholders (OGMS) includes among its functions/responsibilities the following:

- a) discusses, approves or modifies the annual financial statements after having analysed the reports of the Board of Directors and of the financial auditor;
- b) establishes the net profit distribution and sets the dividend;
- c) elects and dismisses the members of the Board of Directors;
- d) appoints and dismisses the financial auditor and sets the minimum duration of the financial audit contract;
- e) establishes the general limits of the remuneration for the Chief Executive Officer and other Chief Officers;
- f) establishes the level of remuneration for the members of the Board of Directors as well as the terms and conditions for the mandate agreement concluded with the members of the Board of Directors;
- g) declares its opinion on the directors' management;
- h) approves the development strategy and policy for the company;
- i) establishes the annual incomes and expenses budget for the next financial year;
- j) decides upon the pledging, leasing or establishing of security interests or mortgage guarantees upon the properties of the company;
- k) approves the management plan including the management strategy during the mandate of the Directors;
- l) approves the reports of the Board of Directors on the activity carried out;
- m) decides on any other issues regarding the company, according to the legal responsibilities and duties, unless such issues are within the competence of the general meeting of shareholders;
- n) analyses and solves other issues submitted by the Board of Directors.

### 2.1.2. The Extraordinary General Meeting of Shareholders (EGMS)

The main responsibilities of the Extraordinary General Meeting of Shareholders (EGMS) are as follows:

- a) approves the change of the company's legal condition;
- b) approves the change of the company's main office location;
- c) approves the change of the company's scope of activity;
- d) approves the constitution or dissolution of secondary offices: branches, agencies, representatives' offices or other such units which are not legal entities;
- e) approves the increase, decrease or the reintegration of the share capital by issuing new shares;
- f) approves the merger with other companies or the split up of the company;
- g) approves the anticipated dissolution of the company;
- h) approves the issuance of bonds;
- i) approves the conversion of shares from one category to another;
- j) approves the conversion of bonds to a different category or to shares;
- k) authorizes the acquisition by the company of its own shares, and establishes the conditions required for such acquisition, especially the maximum number of shares to be acquired, and, in case of acquisition with valuable consideration, their minimum and maximum equivalent amount and operation period, in compliance with the law; it also establishes the method of alienation of the own shares acquired by the company;
- l) approves the acquisition, alienation, exchange, constitution as guarantee of some assets classified as fixed assets belonging to the Company, whose value exceeds, individually or cumulatively, during a financial year, 20% of the Company's fixed assets minus debts;
- m) approves the rental of tangible assets for a period longer than one year, whose individual or cumulative value compared to the same co-contracting party or persons involved or acting together, exceeds 20% of total value of the fixed assets, less the debts existing on the date the legal document is concluded, as well as the associations over a period longer than one year, exceeding the same value;
- n) approves any other change to the Articles of Incorporation or any other decision that needs the approval of the Extraordinary General Meeting of Shareholders;
- o) approves the mandate of NUCLEARELECTRICA representatives in the General Meeting of Shareholders of S.C.ENERGONUCLEAR S.A. for:
  - (i) the modification of the share capital of S.C. ENERGONUCLEAR S.A.;
  - (ii) changing of the share capital of S.C. ENERGONUCLEAR S.A.;
  - (iii) changing of the participation quota of NUCLEARELECTRICA in the share capital of S.C.ENERGONUCLEAR S.A.;
  - (iv) dissolution and liquidation of S.C.ENERGONUCLEAR S.A.;
  - (v) any investment made by S.C.ENERGONUCLEAR S.A. that exceeds 50,000,000 euro (fifty million euro) with respect to a single transaction and/or any investment that exceeds 50,000,000 euro (fifty million euro) cumulated with other transactions in any financial year;

- (vi) conclusion by S.C.ENERGONUCLEAR S.A. of any contract that involves expenses or binding by any significant obligations by the S.C. ENERGONUCLEAR S.A., exceeding 50,000,000 euro (fifty million euro), individually or cumulatively, in one single financial year;
- (vii) any actual or proposed sale or any other alienation of any assets or rights of S.C.ENERGONUCLEAR S.A., or any actual or proposed acquisition of any assets or rights by S.C.ENERGONUCLEAR S.A. exceeding the cumulative amount of 50,000,000 euro (fifty million euro);
- (viii) contracting by S.C. ENERGONUCLEAR S.A. of any type of loans or debts or loans-type obligations, which value exceeds 50,000,000 (fifty million euro).

**Besides the duties, responsibilities and functions above-mentioned or set by the law, the Extraordinary General Meeting of Shareholders decides upon the following issues:**

- a) conclusion by the Company of any contract, assuming any obligation or commitment that could involve expenses or making any other important obligations by the Company under the limits of competence laid down in Appendix no. 1 to the Articles of Incorporation.
- b) achievement by the Company of any type of loans or debts or loans-type liabilities in accordance with the limits of competence laid down in Appendix no. 1 to the Articles of Incorporation;
- c) creation or participation to the creation of companies or conclusion by the Company of any type of association, including joint venture.

### **2.1.3. Quorum and majority requirements**

The quorum will be verified by the chairman for each single resolution before such resolution to be voted.

#### **a) Ordinary General Meeting of Shareholders (OGMS)**

For the first convocation of the meeting, the quorum requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are attending the meeting. The resolutions can be validly adopted only when the shareholders representing the majority of the cast votes are voting "for".

For the second convocation, the meeting can validly adopt resolutions regardless of the attending number of shareholders, simply through the vote cast by the shareholders representing the majority of the cast votes.

#### **b) Extraordinary General Meeting of Shareholders (EGMS)**

For the first convocation of the meeting, the quorum requirements shall be met provided that the shareholders, representing at least 1/4 of the company's share capital, are

attending the meeting. The resolutions can be validly adopted only by majority of votes held by the shareholders attending the meeting in person or by representatives.

For the second convocation, the meeting can validly adopt resolutions for the agenda of the first meeting convoked provided that the shareholders, representing at least 1/5 of the company's share capital, are attending the meeting. The resolutions can be validly adopted only by majority of votes held by the shareholders attending the meeting in person or by representatives.

The resolutions meant to amend the main object of activity of the company, the resolutions meant to increase or reduce the capital, to change the legal form of the company, or referring to mergers, split up or dissolution of the company shall be adopted by a majority of at least 2/3 of the voting rights held by the shareholders or their proper representatives attending the meeting.

#### **2.1.4. Convening process**

The General Meeting of Shareholders is convoked by the Board of Directors.

The ordinary or extraordinary General Meeting of Shareholders may be convoked whenever necessary according to the legal provisions and the ones stipulated in the Articles of Incorporation by publication of the convening notice in the Official Gazette of Romania, Part IV, and in a national newspaper or in a newspaper widely circulated in the town where the main office of the Company is located at least 30 days before the date set, and also on the website of SNN. Dissemination of all information will be made both in Romanian and in English.

The General Meeting of Shareholders may be convoked in the following situations:

- i) Whenever the case may be as a result of the resolution of the SNN's Board of Directors, of the President of the Board of Directors or of one of its members, based on the power of attorney given by the President;
- ii) When requested by the shareholders who individually or jointly hold at least 5% of the share capital, if the request contains the dispositions included in the meeting's responsibilities.

The Ordinary General Meetings of Shareholders are held at least once a year, within maximum 4 (four) months after the end of the financial year, for the examination of the previous year's financial statements and for establishing the activity program and the budget for the current year.

The meeting cannot be set earlier than thirty days after the publication of the convening notice in the Official Gazette of Romania, Part IV.

According to the applicable provisions (Law no. 31/1990, GEO no. 109/2011, Rules no. 6/2009) and the provision included in the Articles of Incorporation, **the GMS convening notice must include at least the following information:**

- a) Name of issuer;
- b) Date, time and place of GMS for the first convocation and the second one;
- c) The proposed agenda by explicitly mentioning all issues to be discussed;
- d) Clear and precise description of all procedures to be complied with by the shareholders in order to attend the meeting and vote, namely information regarding as follows:
  - the right of one or more shareholders representing, individually or together, at least 5% of the share capital of the Company, to put items on the agenda (with justification), within no more than 15 days after the publication of the convocation and to submit resolutions drafts for the items included or to be included on the agenda of the general meeting. The agenda completed by the items proposed by the shareholders must be published at least 10 days before the General Meeting of Shareholders on the date mentioned in the initial convocation notice.
  - the procedure for voting by power of attorney (by being represented), and the fact that for this type of vote special power of attorney forms must be used, how to obtain the special power of attorney form for representation in the GMS, the closing date and place for submitting/receiving the special power of attorney forms, and the means by which the company can accept the notification of the appointment of representatives by electronic means;
  - the procedures allowing the vote by mail or electronic means, if appropriate.
- e) the reference date and specification of the fact that only those persons who are shareholders on that current date are entitled to attend and vote in the general meeting;
- f) the deadline by which one can propose candidates for the positions of directors, where the election of directors is stated on the agenda. The convocation notice shall mention that the list containing information about the name, domicile and professional qualifications of the persons proposed as members of the Board of Directors is available to shareholders and can be consulted and completed by the shareholders.
- g) the place where it is possible to obtain the full text of documents and drafts resolutions, other information regarding the items on the agenda of the general meeting and the date on which they are to be available and the procedure to be followed in this regard;
- h) when the agenda includes proposals to amend the Articles of Incorporation, the convocation notice shall include the full text of the proposals;
- i) the Company's website address;
- j) the proposal regarding the registration date and, if applicable, the proposal regarding ex dates and payment date;



- k) the express mention providing that the right to vote can be exercised by representative, by proxy or by correspondence and the conditions under which such right is to be exercised;
- l) the method of distributing the ballot by mail and the special power of attorney form for representation in the GMS and the starting date on which they are available;
- m) the deadline and place for transmitting/receiving the special powers of attorney, the ballots by mail and the powers of attorneys of shareholders before their first use;
- n) indication of the exact address where the special powers of attorney and votes by correspondence are to be transmitted.

The convening notice, any other matter added to the agenda at the request of the shareholders, the annual financial statements, the annual report and proposal regarding the distribution of dividends shall be made available to shareholders at the Company's main office, starting on the date of convening the general meeting and shall be published on internet for free access to information of shareholders. Upon request, shareholders will be issued copies of these documents.

The shareholders representing at least 5% of the share capital of the company may require the Board of Directors to add new items on the agenda, and/or may submit drafts resolutions within maximum 15 days after the publication of the convening notice. The agenda completed with the new items proposed by the shareholders shall be published at least 10 days before the General Meeting of Shareholders, on the date mentioned in the initial convening notice.

In accordance with the capital market regulations, the resolution drafts submitted to GMS for approval, together with other supporting documents are published on the company's website starting with the convening notice publication date.

#### **2.1.5. GMS organization procedure**

SNN has established and implements internal rules for the organization and carrying out of the GMSs, which require specific competence and responsibilities for various organization structures and departments of the company within GMS organization. These regulations are intended to regulate the entire internal stream of documents and information, procedures and logistics as well as the external process which consists in properly informing the company's shareholders about the aspects related to the convoked meetings.

The shareholders may participate and vote in the General Meeting of Shareholders through representation based on a power of attorney for that specific General Meeting of Shareholders or for a period no longer than 3 years. The proxy may not be replaced by any other person. If the proxy is a legal entity it may exercise the mandate assigned by any other person member of the directing body or management or by one of its employees.

The legal persons may be represented by their legal representatives who, in their turn, may give a power of attorney to other persons for that specific General Meeting of

Shareholders. When the State is involved, the proper Minister may designate their permanent representatives in the General Meeting of Shareholders, in compliance with the above mentioned legal requirements and conditions.

In addition to the organization regulation of the GMSs, SNN fully complies with the laws regulating and governing the organization process of GMS of the listed companies.

Within 24 hours after the date when the GMS took place, the company draws up a current report in which it will briefly present how the GMS is organized and the resolutions adopted. The report will be disseminated to the capital market institutions, namely the BSE, and will be published on the company's website.

## **2.2. Board of Directors (BoD)**

### **2.2.1. Structure; Appointment of the members of the Board of Directors; Eligibility criteria.**

The executive body of the company is the Board of Directors and consists of 7 members. The members of the Board of Directors are elected by the Ordinary General Meeting of Shareholders for a term of four years and can be re-elected or, in case of failure of fulfilling their main objectives, they can be dismissed by the Ordinary General Meeting of Shareholders.

The President of the Board is elected by the Board of Directors from among its members. This function cannot be carried out by the CEO even if he/she is a member of the Board of Directors. The President of the Board is appointed for a period that may not exceed the duration of his/her mandate/term as director and can be dismissed any time by the Board of Directors.

The directors can be dismissed anytime by the Ordinary General Meeting of Shareholders. Each director/administrator must expressly accept to fulfil the mandate. The company is obligated to conclude a D&O type insurance. During the mandate fulfilment, the directors may not conclude an employment contract with the company. In case the directors were appointed from among the company's employees, the concluded employment contract shall legally terminate on the date she/he has accepted the mandate.

The structure of the Board of Directors complies with the provisions of Law No. 31/1990 on companies in terms of the number of independent members of the Board.

The members of the Board of Directors are appointed by the General Meeting of Shareholders, at the proposal of the Board of Directors or of the shareholders. The candidates proposed by the Board of Directors are selected/evaluated in advance and recommended by the Nominating Committee of the Board of Directors. By resolution, the Board of Directors may stipulate that in the evaluation process, the Nominating

Committee is assisted by an independent expert, thenatural person or a legal person expert in recruiting human resources.

The members of the Board of Directors are obliged to exercise their mandate withprudence anddiligence of a good administrator, with loyalty, on behalf of, and to the benefit of the company,and are not allowed to disclose confidential information and business secrets of the company.

The Board of Directors shall assign the management of the company to one CEO. The CEO may be appointed from among thedirectors who thus become executive director, or from outside the Board ofDirectors.The majority of the members of the Board of Directors is made up of non-executive directors.CEO is that person assigned to manage the company by the decision made by the Board of Directors, who concludes a mandate agreement with the Company, according to the disposals provided by Law no. 31/1990, republished, with subsequent amendments.

In the relationship with third parties and in court, the company is represented bythe CEO,actingwithin the limits of the activity object and observing the competence andresponsibilitiesexclusively reserved, by law or by the Articles of Incorporation, to theBoard of Directors and tothe GMS. The Board of Directors represents the company in theletter's relation with thedirectors and may commit to the CEO one or more of theresponsibilities and competence itholds.

The current members of the Board of Directors as well as the Directors, to whom themanagement of the company has been committed, were selected following a selectionprocedurecarried out in compliance with the provisions of Government EmergencyOrdinance No.109/2011 on the corporate governance of public companies.

### **2.2.2. Operation and responsibilities**

The Board of Directors meets, as a rule, at the company's main office or operationalmeetingsof the Board of Directors can be arranged by means of long distancecommunication meeting thetechnical conditions required to identify the participants, theireffective participation in themeetings of the Board of Directors and continuousretransmission of the resolutions they adopt (by phone, video conference or othercommunication equipment), whenever necessary,but at least once in 3 months, at therequest made by the President or at the motivated request made by 2 of its members or by the CEO. If the Board of Directors is convoked by request made by two members or by the CEO, the convocation notice shall be transmitted within 7 (seven) days after the request is received.

TheBoard of Directors is chaired by the President, and in his absence,by a member basedonthe President's power of attorney. The President appoints a Secretary,either from amongthe employees of the Company.

The resolutions validity requires the presence of, at least, half of the members of the Board of Directors, and resolutions within the Board of Directors shall be adopted by a majority of the present members. The resolution on the appointment or removal of the President of the Board of Directors shall be adopted by the vote of the majority of the members of the Board of Directors. The President of the Board of Directors shall cast the decisive vote in case of parity of votes. Board of Directors members may only be represented at meetings by other members of the board on the basis of a special written or discretionary general mandate. A member of the Board may represent only one absent member.

The debates of the Board of Directors shall take place in accordance with the agenda established and communicated by the President with at least 3 days in advance. They are recorded in the minutes of the meeting, which are written down in a register sealed and initialled by the President of the Board.

The minutes shall be signed by all the present members of the Board of Directors and by the Secretary. Based on the minutes, the Secretary of the Board of Directors draws up its decision, which shall be signed by the President and by at least one member of the Board of Directors.

The members of the Board of Directors will be able to exercise any act related to the administration of the company in its interest, within the rights conferred to them.

The President of the Board of Directors of the company has the obligation to make available the company's documents to the shareholders and the financial auditor, upon request.

The members of the Board of Directors are jointly responsible before the company for:

- a) the payments made by the associates;
- b) real proof of the existence of the paid dividends;
- c) proof of the records required by the law and their correctness;
- d) the precise execution of the resolutions of the General Meeting of Shareholders;
- e) the strict execution of the duties that the law and the articles of incorporation impose.

According to the Management plan dated July 9, 2013, the main objectives of the Board of Directors, during the mandate, are the following:

- Operation of the nuclear units under conditions of nuclear safety and security for the personnel, population, environment and production assets;
- Maintain the energy production capacity level above the current average level of the industry;
- Accomplishment of major investment objectives;
- Improvement of the financial and technical indicators of the Company;

The Board of Directors has the following responsibilities, which cannot be delegated to the CEO:

- a) Establishment of the main activity and development directions of the company;
- b) Establishment of the accounting and financial audit system and approval of the financial planning;
- c) Appointment and revocation of Chief Officers and setting of their remuneration;
- d) Appointment and revocation of the CEO and Chief Officers;
- e) Drafting the annual report, organization of the General Meetings of the Shareholders and implementing their resolutions;
- f) Filing the request for opening the insolvency procedure of the company, as per the Law 85/2006 regarding the insolvency procedure;
- g) Approval of changing the activity field of the company, without affecting the main area of activity of the company.

Besides, the Board of Directors is in charge with:

- a) exercising control over the way in which the CEO and other Chief Officers manage the Company;
- b) endorsing the budget of revenues and expenditures;
- c) approving the management plan drawn up by the CEO and/or other Chief Officers;
- d) preparing and submitting to the General Assembly of Shareholders for approval the Management Plan, which includes the management strategy during their mandate;
- e) verifying if the activities carried out in the name and on behalf of the Company is in compliance with the law, the Articles of Incorporation and any relevant decision of the General Meeting of Shareholders;
- f) submitting to the General Meeting of Shareholders an annual report on the activity of management;
- g) representing the Company in the relationship with the CEO and the Chief Officers appointed;
- h) verifying and approving the financial statements of the Company;
- i) checking and approving the reports submitted by the CEO and the Chief Officers;
- j) proposing to the general meeting to appoint and revoke the financial auditor and the minimal duration of the audit contract;
- k) approving the mandate contracts of the appointed CEO and the Chief Officers by setting how the activity carried out by the Chief Officers is to be organised;
- l) approving the persons authorized to negotiate the Collective Labour Agreement with the representative trade unions and/or with the employees' representatives and their negotiating mandate;
- m) approving the Collective Labour Agreement of the Company;
- n) approving the Rules of Organization and Operation of the Board of Directors;
- o) approving the programs of activity (production, research - development, engineering, investments, etc.);
- p) approving the strategy on energy sale transactions of the Company;

- q) approving the conclusion of any agreement/document which may create binding obligations for the Company (documents of acquisition, transfer, exchange or setting up a guarantee of certain assets classified as fixed assets of the Company), whose value exceeds, either individually or cumulatively, during a financial year, 20% of the Company's fixed assets minus the debts within the limits of competence laid down in the Appendix to the Articles of Incorporation;
- r) approving the rental of tangible assets for a period longer than one year, whose individual or cumulative value compared to the same co-contracting party or persons involved or acting together, exceeds 20% of total value of the fixed assets, less the debts existing on the date the legal document is concluded, as well as the associations over a period longer than one year, exceeding the same value;
- s) approving the mandate of Nuclearelectrica representatives in the General Shareholders Meeting of S.C. Energonuclear S.A. for all decisions falling within the competence of the General Assembly of Shareholders of S.C. Energonuclear S.A. except those which require a decision of the General Meeting of Shareholders, according to the Articles of Incorporation.

The Board of Directors is authorised to endorse/approve contracts, loans and various operations at the Company level, according to the limits of competence laid down in Appendix to the Articles of incorporation of the company.

If the President of the Board of Directors is temporarily unable to exercise his attributions, the Board of Directors may give mandate to another administrator to perform the duties of the President of the Board, during his unavailability.

The structure of the Board of Directors ensures a balance between executive and non-executive members, so that no individual or group of individuals may dominate the decision making process of the Board of Directors. The decision making process of the company will remain a joint responsibility of the Board of Directors, which will be jointly held responsible for all the decisions made during the exercise of their competences.

The renunciation to the mandate by the independent administrators will be accompanied by a detailed statement regarding the reasons of the renunciation. The members of the Board of Directors will continuously update their competences and will improve their knowledge of activity of the company as well as regarding the best corporate governance practices in order to fulfil their role.

### **2.2.3. The remuneration the members of the BoD are entitled to**

As per the provisions of OUG 109/2011 regarding the corporate governance of public enterprises, the policy and criteria regarding the remuneration of the administrators and of the managers within the unitary system are made public on the website of the public enterprise, by care of the Board of Directors. Therefore, SNN publishes on its webpage the Remuneration Policy of the Board of Directors and of the Chief Officers of the company.

The administrators and managers receive for their activity a fixed monthly compensation and a variable one. The variable compensation is payable depending on the achievement of performance indicators and criteria established in the administration/mandate contracts as per the management plan of the company.

The fixed monthly compensation is capped as per the provisions of OUG 51/2013. The fixed and variable compensation for the members of the Board of Directors is approved by the General Meeting of Shareholders of SNN. The general limitations for the remuneration of the Chief Officers (according to the meaning of art. 143 of Law 31/1990) are approved by the General Meeting of Shareholders; on the basis of these limitations, the Board of Directors establishes the amount of the remuneration of the Chief Officers.

The CEO is also a member of the Board of Directors and executive director. For the period during which the CEO also acts as director, he/she are entitled to receive only the remuneration provided in his/her mandate contract, without receiving the remuneration for the position of member of the Board of Directors.

### 2.3. Advisory Committees

As per the Articles of Incorporation of the company and in accordance with OUG 109/2011, the Board of Directors may establish advisory committees, made up of at least two members of the BoD and at least one member of every Advisory Committee must be a non-executive independent administrator. The real number of the members composing every Advisory Committee shall be set by the decision made by the Board of Directors.

Thus, the Board of Directors of SNN has established two specialized advisory committees, which are mandatory as per OUG 109/2011, made up of at least 2 (two) members of the BoD and at least one member of every Advisory Committee must be a non-executive independent administrator: the Advisory Committee for Audit and the Committee for Nomination and Remuneration are exclusively made up of non-executive members. At least one member of the Advisory Committee for Audit must have experience in applying the accounting principles or in financial audit.

- ***The Nomination and Remuneration Committee*** – established as per article 34 of OUG 109/2011 regarding the corporate governance of public companies, through the resolution number 7 of the Board of Directors dated 26.04.2013;
- ***The Audit Committee*** – established as per article 34 of OUG 109/2011 regarding the corporate governance of public companies, through resolution number 8 of the Board of Directors, dated 30.04.2013.

The main responsibilities of the *Advisory Committee for Audit and the Committee for Nomination and Remuneration* are set in the Organization and Operation Rules approved by the Board of Directors and posted on SNN's webpage.

In SNN's Management Plan dated 09.07.2013, two additional advisory committees are mentioned, which, as per OUG 109/2011, are not mandatory:

- ***The Advisory Committee for Nuclear Safety*** – established as per article 34 of OUG 109/2011 regarding the corporate governance of public companies, through the resolution number 27 of the Board of Directors dated 26.08.2013;
- ***The Advisory Committee for Strategy, Development and Major Investment Projects*** – established as per article 34 of OUG 109/2011 regarding the corporate governance of public companies, through resolution number 27 of the Board of Directors, dated 26.08.2013.

The Advisory Committees are charged with carrying out investigations and drafting recommendations for the Board of Directors, in their specific fields, and will file regular reports on their activity to the BoD.

The main responsibilities of the Advisory Committee for Nuclear Safety and of the Advisory Committee for Strategy, Development and Major Investment Projects are provided in the Organization and Operation Rules approved by the Board of Directors and posted on SNN's webpage.

## **2.4. Executive management**

The Board of Directors delegates the management of the company to a CEO. The CEO will represent the company in the relationship with third parties and in the court of law. The CEO is responsible for taking all the measures related to the management of the company, within the limits of the scope of the company and by respecting the exclusive competences provided by the law or by the Articles of Incorporation to the Board of Directors or to the General Meeting of Shareholders. Through a resolution, the Board of Directors may delegate one or more of the responsibilities mentioned above (and which can be delegated) to the CEO.

The CEO has the following main responsibilities:

- a) manages and coordinates the entire activity of the Company;
- b) applies the decisions made by the GMS and BoD adopted according to their competences;
- c) applies the company's development strategy and policy;
- d) selects, employs, promotes and dismisses the Company's employees;
- e) appoints, suspends or revokes the management of the subsidiaries and also establishes their remuneration;
- f) negotiates, under the conditions specified by the law, the individual work agreements;
- g) concludes legal documents, on behalf and for the Company for the acquisition, alienation, rent, exchange or constitution as guarantee of the assets belonging to the Company, which conclusion is not within the competence area of the General Meeting of Shareholders or, if applicable, of the Board of Directors;



- h) concludes any documents binding the Company to third parties, which conclusion is not within the competence area of the General Meeting of Shareholders or, if applicable, of the Board of Directors, according to the competence limits set in the Appendix to the Articles of Incorporation;
- i) approves the investment projects according to the competence limits set in the Appendix to the Articles of Incorporation;
- j) prepares and submit for approval to the Board of Directors the financial statements and the proposal for distribution of the profit resulted from the balance of the financial year which he/she intends to present to the General Meeting of Shareholders;
- k) prepares and submit for approval to the Board of Directors the budget project of the Company which he/she intends to present to the General Meeting of Shareholders for approval;
- l) submit for approval to the Board of Directors the materials to be submitted to the General Meeting of Shareholders for approval
- t) prepares together with the other Chief Officers and submit for approval/endorse to the BoD the activity programs (production, research – development, technological engineering, investments, etc.);
- m) determines the duties and responsibilities of the employees in every department Company's;
- n) approves the cash in and payment operations, as per the legal competences and the Articles of Incorporation of the Company;
- o) empowers the Chief Officers and any other person to exercise any responsibility within its competence area;
- p) approves the delegation of competence for the Chief Officers and for the managementstaff of the subsidiaries, in view of performing the operations of the company;
- q) approves the competences and responsibilities of the subsidiaries of the company;
- r) approves the organizational structure of the company and the number of positions, theformation of operational and production compartments, as well as the Organization andOperation Rules and the Internal Rules;
- s) establishes and approves environment protection policies and occupational safety policies, asper the legal regulations;
- t) approves legal documents and rules which regulate the activity of the company;
- u) establishes the marketing tactics and strategy;
- v) carried out any other duty set in the regulatory documents, the Articles of Incorporation of the Company, the decisions made by the Board of Directors and the decisions made by the General Meeting of Shareholders;
- w) solves any other matter that the Board of Directors commissions to him/her.

Any director may request information about the operational management of the company from the CEO and the other Chief Officers. The CEO has the obligation to regularly and extensively inform the Board of Directors regarding the completed and planed activities.

The CEO must expressly accept to exercise his/her mandate. The company must conclude a D&O insurance policy in order to cover the liability of the company and its management (CEO and Board of Directors) to third parties. The costs related to the insurance policy will be supported by the company.

During the period of the mandate, the CEO cannot conclude a work agreement with the company. If the CEO was selected from among the staff of the company, his/her work agreement ceases by right at the date of accepting the mandate. During the period in which he/she occupies the position of CEO, the CEO will conclude a mandate/ management and administration contract with the company. The company is accountable to the CEO in case of unjustified revocation, as per the law and provisions of the mandate/management and administration contract afore mentioned.

The CEO and Chief Officers have the obligation to exercise their mandate with the prudence and diligence of a good administrator, with loyalty, in the interest of the company and is not allowed to disclose confidential information and business secrets of the company, during his mandate of CEO, as well as for a period of 5 years after the completion of the mandate.

The Chief Officer of Cernavodă NPP, appointed through the resolution of the Board of Directors, has concluded a mandate contract with SNN and is responsible for the governance, organization and management of the current activities of the company related to the operation and maintenance of Cernavodă NPP through the Cernavodă NPP subsidiary, as well as for the administration of the assets belonging to Cernavodă NPP, within the limits of his/her delegated competences, in terms of nuclear safety, without affecting the population, the staff and the environment and by complying to the requirements included in the applicable authorizations. He is also responsible for coordinating the implementation of the nuclear safety policy at Cernavodă NPP.

The CFO, appointed through the resolution of the Board of Directors, has concluded a mandate contract with SNN; the CFO manages, organizes and coordinates the financial activity of the company (operations: financial –accounting, preventive financial control, reporting and budget, administrative and assets and IT head office departments) structured within the Financial Division, by complying with the competences exclusively prescribed by the law, the Articles of Incorporation, the resolutions of the Board of Directors and General Meeting of Shareholders, the Organization and Operation Rules, the mandate contract and the competence delegations granted by the Board of Directors and/or by the CEO.

The Executive Officers are employees of the company; they perform its operations and are accountable to the company for the completion of their duties. The responsibilities, rights and competences of the Executive Officers are established by the Organization and Operation Rules of the company.

## **2.5. The professional code of conduct**

The professional code of conduct of SNN regulates the ethical norms of professional and social conduct necessary for facilitating social and professional work relationships appropriate for creating and maintaining the prestige and corporate values of

the company. The Code of Conduct for SNN employees provides a package of professional, moral and social standards, responsibilities and ethical rules for the employees in view of maintaining and respecting a spirit of cooperation, solicitude and fairness in order to prevent unpleasant events of conflict situations which might affect work and social relations as well as the prestige, image and integrity of the company. The norms provided by the Code of Conduct are mandatory for all the employees and are applicable in all the organizational and hierarchical structures of the company.

### **3. The rights incumbent to the shareholders**

All the owners of financial instruments of the same type and class of titles issued by SNN, are entitled to equal treatment, and the company constantly makes efforts towards achieving an effective, active and transparent communication in view of the equitable exercise of rights.

All the shareholders of SNN will be treated equally. All the issued shares grant the shareholder equal rights; any change in the conveyed rights will be subjected to the approval of the shareholders who are directly affected during the special meetings of the shareholders.

SNN carries out all due diligence in order to facilitate the participation of the shareholders to the general shareholders meetings, the dialogue between shareholders and the members of the Board of Directors and/or the management of the company, as well as to facilitate the full exercise of the shareholders' rights. The participation of the shareholders to the General Meetings of Shareholders is fully encouraged and for the shareholders who cannot attend the meetings, the company makes available the vote in absence – on the basis of a special power of attorney or by correspondence.

The company has created a special section for *Relations with the Investors* on its website, where relevant information regarding the procedures related to the access and participation of the shareholders to the General Meeting of Shareholders (GMS), the convening notices for the GMS, the addendums to the agenda of the GMS, answers of the Board of Directors to the questions of the shareholders, current reports, financial statement of the company, exercise of the voting rights in the GMS, materials on the agenda of the GMS, example of special powers of attorney, financial calendar, corporate governance of the company are constantly updated and accessible, contributing to the transparent and equal information of all the interested parties.

Moreover, SNN has established an organizational structure specialized in managing the activity related to the capital market, namely – the Department for Communication and Relations with the Investors – which will be dedicated to the relationship with the investors and shareholders. The staff of the office will be constantly trained regarding the relationship of the company with its shareholders, the principles of corporate governance, customer relations.

The main rights of the shareholders related to the General Meeting of Shareholders are:

(a) *The right to a minimum notification period:* The shareholders of the company are notified about an upcoming meeting of the shareholders through a convening notice which is published in the Official Gazette of Romania and in a national circulation newspaper with at least 30 days before the date of the meeting; also, the convening notice is published on the website of the company, within the *Relations with the Investors* section and is submitted to the National Securities Commission and to the Bucharest Stock Exchange in the shape of a current report;

(b) *The right to access to information:* SNN publishes the necessary documents and information on its website so that all the shareholders may exercise their rights, in an informed manner;

(c) *The right to supplement the agenda of the meeting:* The shareholders of SNN who individually or jointly represent at least 5% of the share capital of the company may request the addition of items on the agenda of the meeting, within the limits and in accordance with the applicable legislation;

(d) *The right to attend the meeting:* The shareholders registered in the register of shareholders at the reference date have the right to attend the General Meetings of the Shareholders, in person or through a representative;

(e) *The voting rights:* The share capital of the company is represented by the ordinary shares which grant a voting right for each share registered in the name of the shareholder at the reference date;

(f) *The right to ask questions:* Any shareholder of the company may ask questions in writing related to the items on the agenda of the General Meeting of Shareholders and has the right to receive answers from SNN.

#### **4. Transparency, financial reporting, internal control and risk management**

##### **4.1. Transparency**

As a listed company, SNN is subject to the information requirements regulated by the capital market rules, through the drafting of periodical and continual reports regarding the important events of the company, including, without limited to, the financial situation, performance, assets and management.

SNN ensures the drafting of appropriate periodical and continuous reports on all the important events, including the financial situation, performance, assets and management. The company will prepare and disseminate relevant periodical and continuous information, in accordance with the International Financial Reporting Standards (IFRS). The information is disseminated both in Romanian and in English. The company will organize,

at least once a year, meetings with financial analysts, brokers, market specialists and investors, on the occasion of the dissemination of the annual and/or quarterly financial statements which represent important documents in investment decisions.

In order to make the information process more efficient and accessible for investors, SNN has created on its website ([www.nuclearelectrica.ro](http://www.nuclearelectrica.ro)) a special section (Relations with the Investors) where any investor may easily access information about: (i) the company's strategy, (ii) news, information and events, (iii) corporate governance, (iv) rights incumbent to shareholders, (v) reports. Moreover, SNN will establish strict internal rules and procedures and has a department dedicated to the relations with the investors. Thus, the company elaborates and applies an efficient and transparent policy in its relations to the investors.

#### **4.2. Financial reporting, internal control and risk management**

SNN submits to the Bucharest Stock Exchange, within 120 days since the conclusion of the reporting period, the Annual Report prepared in accordance with the relevant regulations, issued by the Financial Supervisory Authority (ASF), including all the documents provided by the ASF regulations. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

SNN submits to BVB, within 45 days since the conclusion of the reporting period, the half-year report prepared in accordance with the relevant regulations issued by ASF, and the financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

SNN submits to BVB, within 45 days since the conclusion of the reporting period, the quarterly report for the first and third quarter, prepared in accordance with the regulations issued by ASF, including both the reporting documents provided in the ASF regulations as well as the financial balance and the profit and loss account, prepared in accordance with the applicable regulations.

The Audit Advisory Committee supports the members of the Board of Directors by regular evaluation of the efficiency of the financial reports, of the internal control and of the riskmanagement system applied by the company.

Both for the Executive SNN and its branches, procedures for identifying, classifying, and monitoring, procedures related to the integrated control of risks associated with the planning process, and specific procedures enabling the operators in the control room of the power plant to make decisions based on the probabilistic assessments of risks related to an unit operating configuration have been elaborated.

In accordance with the legal requirements, the company implemented an effective riskmanagement by creating the Control Risk and Management Directorate.

## **5. The conflict of interests and transactions with the involved persons**

The members of the Board of Directors will make decisions exclusively in the interests of the company and will not take part in the debates or decisions that create a conflict between their personal interests and those of the company.

Each member of the Board of Directors makes sure to avoid a direct or indirect conflict of interests with the company and in the case that such a conflict arises, will refrain from debates and vote of the specific issue, in accordance with the legal provisions.

In order to ensure the fairness of the procedures related to transactions with the involved parties, the members of the Board of Directors apply the following criteria, without being limited to them:

- Maintaining the competence of the BoD and the GMS, respectively, to approve the most important transactions;
- Requesting in advance the opinion of the internal control structures on the most important transactions;
- Delegating negotiations regarding these transactions to one or more independent administrators or to the administrators who don't have connections with the implicated parties;
- Appeal to independent experts.

In addition to respecting the general legal provisions, SNN has established and implemented internal policies that regulate in detail the internal procedure regarding the disclosure of transactions between affiliates.

Thus, the Board of Directors will inform the shareholders, during the first GMS after the conclusion of the legal document, about any transaction with the administrators or directors, with the employees, with the shareholders who have control over the company or with a company controlled by them, by making available to the shareholders the documents which reflect the essential data and information related to these transactions. Moreover, the Board of Directors will inform the shareholders, during the first GMS after the conclusion of the legal document, about any transaction concluded by SNN, as a public enterprise, with another public enterprise or with a public supervisory body, if the transaction has a value, individually or cumulated in a series of transactions of at least the in lei of 100,000 Euro.

## **6. The regime of the corporate information**

The Board of Directors establishes the corporate policy regarding the dissemination of information, in accordance with the applicable legislation and the Articles of Incorporation of the company; this policy must guarantee the shareholders, the investors, as well as the significant shareholders equal access to the information and must not permit abuses regarding confidential information or information about "transactions with themselves".

The directors and chief officers will maintain confidentiality regarding the documents and information received during their mandate.

## **7. Social responsibility**

Social responsibility is a management process, a component of the business strategy of the company, through which SNN wants to contribute to the development of a sustainable and developed Romanian society. The essential role that ANN plays in the energy field in Romania interconnects with its desire of supporting the real needs of all those who constantly contribute to its activity.

SNN is involved in solving the social problems of the community in which it carries out its activity and takes into consideration the interests of the company, by being responsible towards the employees, shareholders, community and environment. The vision of SNN is the promotion of the national values, the team spirit, the respect for diversity and commitment. The company decided to support artistic and cultural activities, education, humanitarian actions and the society's development.

SNN has a long term reputation regarding the corporate social responsibility programs that it develops, with effective impact on the community and the employees of the nuclear powerplant. Since 1991, through HG 454/1991, "The Social Emergency Program for the Improvement of the Living Standards for Cernavoda and for the Construction and Operation Staff of the Nuclear Power Plant" was approved and financed by budgetal location. Further on, an addendum to HG 1081/2003 has approved regarding the social and cultural projects that were to be implemented for the community in Cernavodă.

An example of such a project which is currently developed for the community of Cernavodă town is the "Training and recreation centre for youth and children".

Among the main objectives that the company has completed and which contributed to the development of the community in Cernavodă and to the improvement of living standards for the SNN employees, we mention:

- The kinder-garden, completed in 1992 and transferred to the administration of the Local Council of Cernavodă;
- The treatment and pumping station for the supply of drinking water from the Danube to the town of Cernavodă (through the artificial canal Danube – Black Sea);
- The development of road infrastructure, project which was developed until 1998;
- The development, modernization and extension of the centralized heating system; SNN built a connection between the old heating stations and the new ones with the electrical stations with the help of a thermal steam transfer system;
- In 2002, the company commissioned a bridge across the Danube – Black Sea Canal which has the purpose of facilitating railway and road transport from Cernavodă to the national railways and highways, representing also an evacuation route for the

population of Cernavodă in case of an accident that might occur at the nuclear powerplant;

- The company contributed to the development of the educational system of the community, by building an energetic high school, supplied with all the necessary equipment;
- The construction of a hospital and of a clinic that provide medical assistance to the residents of Cernavodă and to the staff of the NPP.

## **8. The administration system**

Currently, the management system of the company is a unitary one.

## **9. Final provisions**

SNN adheres to the Bucharest Stock Exchange Code of Corporate Governance and will apply or will explain the recommendations of the code, as per the Statement of conformity or non-conformity with the Code of Corporate Governance (the Statement “Apply or Explain”).

SNN will include in its Annual Report the Statement “Apply or Explain” regarding the conformity or non-conformity with the provisions of the Code for Corporate Governance, issued by BVB, statement which is mandatory for companies listed on the stock exchange market, starting with 2011, respectively for the financial reporting of the year 2010. In case of non-conformity with the BVB Code for Corporate Governance, SNN will offer comprehensive explanations.