Endorsed,
President of Board of Directors
Alexandru SĂNDULESCU

NOTE
on the submission for approval by the Ordinary General Meeting of Shareholders of the conclusion for the Board of Directors Members and Executive Officers of S.N. Nuclearelectrica S.A. of Directors and Officers Liability type insurance policies covering the period until the expiry of their term of office

I. General issues/Powers. The necessity for approval by the Ordinary Meeting of Shareholders of the conclusion for the Board of Directors Members and Officers of S.N. Nuclearelectrica S.A. ("SNN")

Between January 12, 2015 - April 10, 2015, the Court of Auditors of Romania – Department 6 conducted an audit on the theme "The examination of the situation, evolution and management of public and private patrimony of the state and the legality of the derived revenue and expenses in the period 2012-2014 at the National Company Nuclearelectrica SA".

Following this official inspection, the public external audit team prepared the Audit Report no. 4371 of 04.10.2015 ("Audit Report" or "Report") retaining as misconduct and deviation from legality and regularity "making illegal payments amounting to 86,699 EURO (397,459 RON) representing the equivalent of two third party liability insurance policies covering the directors, including persons from outside the company, without legal basis ".

Against the Report, SNN had Objections and registered them at the Court of Auditors of Romania with no. 128495/04.27.2015 requesting the removal of the retained offense on D&O type insurance policies, but the undersigned company's Objections were not accepted by the Court of Auditors of Romania and, as a consequence, the Decision no. 16/05.11.2015 has been issued for removing the deficiencies identified in the Report no. 4371 of 04.10.2015 ("Decision").

In Section II, paragraph 10 of the Decision, the misconduct consisting of „payments in the amount of 86,699 EURO (397,459 RON) for insurance costs, incurred in conditions other than the legal ones" was mentioned, and the following steps for removing the misconduct were ordered:

"The management staff of S.N. Nuclearelectrica S.A. will order some steps to extend the examinations on the insurance policies which were concluded and implemented in the period 2012 - 2014, aiming to identify all professional liability insurance policies which were concluded on the following conditions: (i) without mentioning the number of the people insured; (ii) without mentioning the name and surname of the people insured; (iii) policies concluded for persons who served as non-executive directors and officers of S.N. Nuclearelectrica S.A. as well as for outsiders (non-members of the company); (iv) policies concluded for damages other than those caused as a result of errors, omissions or negligence happened during practising the profession (including the cases presented in this Report), when determining the extent of the damage as a result of payments made for such insurance policies, when recording in the accounting books the amounts that had been set, during their recovery (including the recovery of foregone revenues) conducted under the law, when correcting the accounting results recorded and determining any eventual differences owed to the State budget including the dividends owed to the sole shareholder and their payment on legal destinations including the related accessories calculated until the date of payment (for removing the misconduct listed in paragraph 10 of the Decision)."

Against the Decision, SNN lodged an Appeal registered by the Chamber of Auditors of Romania as of 05.29.2015 with no. 131202 by which they asked the Court of Auditors to cancel the misconducts and exonerate SNN from implementing the steps that had been ordered.

By the petition submitted to the Court of Auditors of Romania - Department IV - no. IV/40 362/07.20.2015, registered by SNN under no. 8 701/07.20.2015, the Conclusion no. 59/07.17.2015 ("Conclusion") issued by the Commission for appeals solving within the Romanian Court of Accounts was issued.

According to this Conclusion, the Commission for appeals solving, based on the Audit Report, the Decision and the Appeal submitted by SNN, "analysed the arguments presented in the Appeal, the issues raised in the Audit Report and the legal provisions applicable in this field. The arguments presented resulted no to provide new elements to modify the Decision no. 16/2015", although, obviously, as resulting from the exposures of this note, SNN clarified under the applicable laws unequivocally proving the groundlessness and illegality of the observations made by the Court of Audits. Against the administrative documents – Conclusion, Decision and Report - on 08.07.2015 SNN filed an administrative litigation requesting partial cancellation of the administrative documents, including their implementation. The Writs of Summons promoted

by SNN against such administrative documents issued by the Court are being recorded before the Court of Appeal of Bucharest.

With regard to the professional liability insurance, there are clear legal provisions in Law no. 31/1990 which obliges both directors and officers of a joint stock company which concluded an Contract of Mandate to have a professional liability insurance, based on the same applicable criteria, without any difference of approach correlated with the position held within the joint stock company.

Additional to the legal obligation, in terms of statutory provisions and decisions of statutory bodies, SNN has a statutory and contractual duty to sign for executive directors and non-executive directors and for the officers an insurance policy for D&O type professional liability (Directors and Officers Liability):

(i) The provisions of art. 18 paragraph 3 of the Articles of Association ("... Each director must explicitly accept the exercise of his/her mandate. The company is required to conclude a D&O Insurance");

(ii) The provisions of art. 20 paragraph 7 of the Articles of Association ("CEO and the Officers must explicitly accept their official capacity. The company is required to sign liability insurance for directors and officers ("Directors & Officers Liability"), covering the third party liability for the company itself and its management (CEO, Officers, Board of Directors). The costs of this insurance will be borne by the Company;

(iii) Article 20 of the Contract of Mandate between the Company and directors approved by the Ordinary General Meeting Decision no. 19 dated 07.24.2013 and the Order of the Ministry of Economy no. 1689 dated 07.24.2013 to which the Contract of Mandate form is attached, article which stipulates the right the director has to benefit from a D&O policy and the obligation for SNN to conclude a D&O policy for him/her;

(iv) Article 20 of the Contract of Mandate of the CEO and the NPP Branch Executive Officer approved by the Board of Directors Decision no. 18/07.03.2013, article which stipulates the right of these executives to benefit from a D&O policy and the obligation for SNN to conclude a D&O policy for them;

(v) Article 20 of the Contract of Mandate signed by the CFO and approved by the Board of Directors Decision no. 11/02.03.2014, article which stipulates the right CFO has to benefit from a D&O policy and the obligation for SNN to conclude a D&O policy for him/her.

The conclusion of D&O professional liability insurance is based on these arguments, undoubtedly supported by the law, and also on taking of individual and collective liability in a joint stock company:

1. A legal obligation set both by Law no. 31/1990 and in a statutory and corporatist manner within the company by the Articles of Incorporation, the resolutions made by the shareholders and the Contracts of Mandate of executives and Board of Directors members;

2. An absolutely necessary step for the corporatist management of risk, internationally applied, implemented to protect the Company against third parties for damages that could be produced by directors and executive officers, compared to the damage that could be caused to the company directors and executive officers simultaneously with protecting directors and executive officers by damage to third parties and to the company that might occur as a result of their professional activities; hence the D&O insurance is a complex and integrative step of responsible management of potential risks associated with managing a company;

3. A measure to protect the shareholders given that SNN is a listed company on the capital market with an assumed liability to the legal owners of the company, the shareholders, by reducing the risk of covering the losses, measure which has been approved by the General Assembly of SNN Shareholders fully understanding the actions related to the management of risk taken by the company;

4. An additional measure to ensure compliance to and fulfil of the criteria and principles of corporatist governance, which is an essential component in managing a company listed on the stock exchange, whose lack of compliance with entails negative repositioning of the company on the stock market, and implicitly losing the shareholders. The measure aims to insure the company and managers, understood as a collective entity, and not their individual insurance, in total correspondence with the individual and collective responsibility in a joint stock company administered under a unitary system;

5. An internal measure aiming to render responsible the management staff as regards the company and their own professional activity, measure which is currently adopted all over the

world and in every company that understands to achieve a responsible and efficient management intrinsically doubled by the management team's motivation by protecting the rights.

SNN is contractually bound to conclude these D&O insurance policies. Failure to comply with the contractual obligations can lead to payment of damages by SNN. Hence:

(i) Regarding the conclusion of D&O insurance policies for directors, the Ordinary General Meeting of Shareholders has the power to make a decision considering at least the following reasons:
- The shareholders approved the SNN Articles of Incorporation which provides for the conclusion of D&O insurance policies for directors;
- The shareholders approved the form of the contract of administration which provides for the conclusion D&O insurance policies for directors;
- The Board of Directors members are in conflict of interest with regard to a decision on this issue, since there are provisions in this respect included in the contracts of administration concluded between them and SNN.
(ii) Regarding the conclusion of D&O insurance policies for directors, the Ordinary General Meeting of Shareholders has the power to make a decision considering at least the following reasons:
- The shareholders approved the SNN Articles of Incorporation which provides for this legal measure of directors;
- The Board of Directors members are not entitled to make a decision with regard, since the issue in question is a right incumbent to the directors which was approved by the shareholders.

II. Groundlessness and unlawfulness of the observations made by the Court of Auditors

II.1 The alleged unlawfulness of the payment for the two third party liability insurance policies lies in the fact that, according to the public external auditors, professional liability insurance policies may be only concluded for the executive members of the Board of Directors, in accordance with Art. 153^{12} of Law 31/1990; the same public external auditors consider that the non-executive members are "persons from outside the entity", and the executive officers have no legal right to benefit from professional liability insurance.

Invoking the provisions of Law no. 31/1990, the external public auditors estimate that only the executive members of the Board are entitled to professional liability insurance. This reason is a first false premise from which they started in ascertaining the deviations from legality and regularity.

Art. 153^{12}, paragraph 4 of Law no. 31/1990 provides: "A person appointed in one of the positions provided in paragraph (3) should be insured for professional liability." The positions mentioned in paragraph (3) of the same article are: director, executive officer and supervisory board member. Therefore, the ascertaining made by the external public auditors according to which the executive directors only were entitled to the professional liability insurance is deeply wrong as it is evident from the legal texts mentioned above that there is no distinction between executive directors and non-executive directors regarding the obligation to conclude a professional liability insurance. The reasoning of the Court of Auditors according to which, if the company management has been delegated by the Board of Directors (as is the case SNN) to some executive officers, in this case only the executive directors should be entitled to the professional liability insurance, does not comply with the legal provisions invoked which clearly and unequivocally allege that the person appointed as director (without distinguishing between executive directors and non-executive ones) should be insured for professional liability, this being also a prerequisite for the exercise of their mandate. The interpretation of auditors that only executive directors should receive professional insurance is an addition to the legal text based on their erroneous reasoning.

Moreover, art. 73 of Law no. 31/1990 stipulates: "The directors are jointly responsible towards the company..." thus the responsibility towards the company has no legal basis that would lead to the conclusion that a differentiation between executive directors and non-executive directors in this regard, a liability action against them referring also to directors, not to executive or non-executive directors.

Besides, the external public auditors consider that nor the directors who have been delegated by the Company to manage it are entitled to be insured for professional liability. The error made by the public external auditors is glaring because in Law no. 31/1990 legal texts that oblige both directors and executive officers of a joint stock company to have a professional liability insurance are provided (art. 153^{12}, paragraph 4 in conjunction with Article 152 provide the same). Thus, art. 152 of Law no. 31/1990 set that “The provisions of art. 137^{1}, paragraph (3) and those of art. 144^{1}, 144^{3}, 144^{4}, 153^{12} and article 150, paragraph 4, shall apply both to executive officers and directors." Since article 153^{12} paragraph (4) of Law no. 31/1990 contains the obligation to have a professional liability insurance policy, and under article 152 of the same law, this provision applies both to executive officers and directors, it means that the requirement to have a professional liability insurance is devoted form legislative point of view both to the company directors and to the executive officers who were delegated to manage the company.

Clearly, in the arguments presented and the irregularity found on their basis, the public external auditors did not take into account the legal provisions, bringing into question shortened quotes and erroneously interpreting the legal texts.

Besides to all abovementioned, it is important to note that even the Financial Supervisory Authority ("FSA"), which is the regulatory authority in the field of insurance and to whom SNN asked the opinion regarding the Report, clearly and unequivocally considered that SNN acted in accordance with the law and that there is no misconduct. Thus, in the FINANCIAL SUPERVISORY AUTHORITY notification no. P1824/04.27.2015 and registered by SNN with no. 4993/04.28.2015, which was attached both to the Objections submitted by SNN and to the Appeal but was not considered relevant by the Court of Auditors, the regulatory authority in the insurance field that has been invested with public authority in the field estimate that "Law 31/1990 (art. 153^{12}) does not state that the third party liability insurance is concluded only for executive officers, as shown in paragraph (3) in that Article; in conjunction with paragraph (4) of the same article ..... ".

II.2 The alleged unlawfulness of the payment for the two third party liability insurance policies lies in the fact that, according to the public external auditors, the D&O professional liability insurance policies concluded by SNN being collective, the persons beneficiating from such insurance are unknown since they are not nominated; nor their number is known.

In accordance with the practices in terms of managerial liability insurance, the D&O insurance policies are contracted by the Company on behalf and for all DIRECTORS and OFFICERS, issue which is based on the principle of liability solidarity of persons with the right decision in running a company.

Therefore, a D&O insurance policy for all SNN DIRECTORS and executive OFFICERS was concluded. The policy had a 3,000,000 EURO sub-limit for each insured person. The term "collective" is not likely to attract unlawfulness of insurance policies on the ground that there was no law (for occupational insurance) to regulate the manner in which people should be indicated - collectively or individually.

The only legal text that is raised is the cause is represented by art. 153^{12} paragraph 3 of Law no. 31/1990. Based on this legal text, the unlawfulness identified by the public auditors is again groundless.

In the case of D&O insurance, the insured is (i) on the one hand, the manager of the company, generally considered, meaning any manager among the ones collectively considered; (ii) on the other hand, the Company. Therefore, this type of insurance is not concluded to insure managers individually but to insure the Company and the managers considered as a collectivity potentially liable to third parties.

Regarding the auditors' conclusion, namely that the unlawfulness is drawn by the collective nature of the D&O policy, we mention that this ignores the fact that all insured persons are individually identified and listed, as well as how the individual responsibility and collective one work within a joint stock company managed in an integrated system. Thus, we emphasize that the Board of Directors' members, are collectively and jointly liable for the acts and deeds undertaken in this capacity.

As for the number of persons and their names and surnames, the issues mentioned in the administrative documents by the Court of Auditors do not correspond to the reality; besides, the Court of Auditors completely ignores the following documents made available to the public external auditors during the official inspection:

1. The list of persons to be insured has been attached to the application form submitted to the insurers in order to conclude the policy for the period 2013-2014 in the procurement procedure.

2. The response to the request for clarification with no. 12771/11.04.2014 issued in the procurement procedure clearly mentions the insured persons namely the members of the Board and Directors and the officers who concluded a contract of mandate with SNN;

3. The notification ALLIANZ TIRIAC ASIGURARI no. 4061 / 04.24.2015 registered by SNN with no. 4851/04.24.2015 that mentions clearly that the insured persons are the members of Board of Directors, indicating their full name, and the Officers who have signed a mandate agreement with the Company, indicating also their full name, according to other documents of the procurement procedure (application forms and responses to requests for clarification);

4. The notification FINANCIAL SUPERVISORY AUTHORITY no. P1824 dated 04.27.2015 registered by SNN with no. 4993 dated 04.28.2015 mentioning that ".. according to the documentation transmitted the Appendix 1 is part of the form asking the conclusion of the third party insurance contract, therefore the persons beneficiating from protection are known."

II.3 The alleged unlawfulness of the payment for the two third party liability insurance policies lies in the fact that, according to the public external auditors, the insurance policies have been concluded for persons from outside the company (husband/ wife/ cohabitant partner, heirs, executors or legal representatives of insured persons).

This unlawfulness comes from the public auditors' inability to correctly interpret the term "insured persons". Thus: husband/ wife/ cohabitant partner, heirs, executors or legal representatives of insured persons are not (as revealed in the text) the insured persons. These are people who have a close legal patrimonial relationship with the insured persons, and are concerned only in situations in which any losses will be covered including from the assets owned by the policyholders (directors and officers), in co-ownership with those mentioned above.

As for insuring the people who are in a relationship with the executive and the non-executive members of the Board of Directors, such as husband/ wife/ cohabitant partner, legal representatives, heirs, executors or guardians of any insured person, we mention that they are not insured persons. Instead, it is concerned - under the policy - the situation when the recovery of property concerns the property in common use or ownership in the event of death or incapacity of their payment. It is obvious that these people (eg husband or wife of a member of the Board of Directors) cannot be insured persons for professional liability, including for the simple reason that they do not participate in the company management, not having a mandate contract concluded with the company, therefore they can not cause any damage to the company or third parties; thus, from the perspective of the insurer they imply no insured risk that could lead to a differentiation of the insurance premium.

Thus, in paragraph 3.14 in the Insurance Conditions, they mention that the husband/ wife/ cohabitant partner of any person insured (executive and non-executive directors) are insured persons (...) only when the recovery of lost property concerns the assets in joint use or ownership by or on behalf of the husband/ wife or cohabitant partner. In this case the extension of the insurance policy is justified by the relations of co-ownership as it is expressly mentioned. The co-ownership regime means that a possible attempt to recover the damage by the Company upon the joint or shared property assets can be locked according to the rules by virtue of which such ownership operates. The extension of professional liability insurance upon the co-ownership is beneficial to the company, the risk of insolvency of the co-owners being neutralized by the premium payment; thus, the risk of a lengthy and costly trial is reduced.

By the notification FINANCIAL SUPERVISORY AUTHORITY no. P1824 dated 04.27.2015 registered by SNN with no. 4993 dated 04.28.2015, the competent ruling public entity authorised

in the field states that "Paragraph 3.14 in the insurance contract shows that no CLAIM FOR DAMAGES which is in connection with a WRONGFUL ACT of the husband / wife or cohabitant partner is covered and that they are covered by the insurance contract only when recovery of the loss concerns the assets in joint use or ownership by or on behalf of the husband / wife or cohabitant partner, therefore they are only insured as joint co-owners or users of property subject to the loss caused by a WRONGFUL ACT committed by persons within the company; besides, the insurance contract (paragraph 3.14) covers the legal representatives, heirs, executors or guardians of an INSURED PERSON, in case of death or insolvency, for WRONGFUL ACTS committed by the INSURED PERSON."

Besides, by the notification ALLIANZ TIRIAC ASIGURARI no. 4061E dated 04.24.2015 registered by SNN with no. 4851 dated 04.24.2015, the insurer explains as follows as for including in INSURED PERSON definition (Insurance Terms for Managers Liability applicable to D&O policies 571005753/08.27.2013 and 571005920/11.25.2014), the husband/wife, legal representatives, heirs, etc.: “In particular, D&O policies cover only the "LOSSES" which are a direct consequence of a "WRONGFUL ACT" committed by an "INSURED PERSON" (so, the natural persons named in the questionnaire-applications) in connection with his/her work within SNN. The Insurer will be no way liable for covering the “LOSSES” arising from acts committed by other persons than those mentioned above.

Exclusively for giving additional protection to SNN, considering the provisions of the Civil Code regarding the possibility of recovering damages from the heirs of the INSURED PERSON and, also, for covering by D&O policies the case when recovering of the loss concerns the assets being jointly used or owned by the INSURED PERSON and the persons related or connected to him/her, the INSURED PERSON definition was specified so that the previously listed situations to be also covered by these policies, namely the following persons have been assimilated into the category of INSURED PERSONS:
- The husband/wife or cohabitant partner of any INSURED PERSON;
- The legal representatives, heirs, executors or guardians of an INSURED PERSON, but only in case of death or insolvency of the INSURED PERSON.
As we have already pointed out before, the D&O policies in discussion only covers losses that are the direct consequence of a wrongful act committed by an INSURED PERSON, they do not cover any "CLAIM FOR DAMAGES" which is related to a potential "WRONGFUL ACT" committed by the husband/wife or cohabitant partner or legal representatives, heirs, executors or guardians. In this context, the policy activation occurs only in a situation where an INSURED PERSON commits a wrongful act and, for some reason (death, reorganization, joint ownership of property etc.) SNN would not be in a position to fully recover the damage (only) from the

INSURED PERSON, having so the opportunity to proceed against a wider category of persons. We should also mention that the "extension" above-mentioned is an international practice very frequently used and, as in the case of the two D&O policies in question, and it is provided free of charge (no additional fee is charged) and the premium paid by SNN is no way affected."

The external public auditors did not retain these arguments considering irrelevant the fact that the extension of liability insurance upon the co-ownership is beneficial to the company, the risk of insolvency of the co-owners being neutralized by the insurance premium payment and the risk of a lengthy and costly trial being also reduced.

II.4 The alleged unlawfulness of the payment for the two third party liability insurance policies lies in the fact that, according to the public external auditors, there is no legal obligation for the companies to conclude D&O insurance policies and, therefore, the conclusion of such policy is unlawful.

The public external auditors stated in the Report, Decision and Conclusion as follows:
(i) The fact that "according to Law no. 31/1990, the companies are not required to conclude D&O policies";
(ii) The fact that "the professional insurance policy referred to in Law 31/1990 offers protection to the insured for damages to third parties caused as a result of errors, omissions or negligence happened during practising the profession" while „the D&O third party insurance policy offers protection for damages caused to the Company/third parties".

By reference to those retained by the control team and to the measures ordered by the Decision due to the misconduct found, the Court considers the conclusion of D&O policies is not legal since Law no. 31/1990 does not ask the companies to conclude this type of insurance. We consider that the assessment and reasoning of the auditing team underlying the deviation detected and the measures taken are not correct for the reasons given below.

SNN asked the opinion of the Financial Supervisory Authority on this issue, too. According to FSA the provisions invoked by the public external auditors are not in the Law no. 31/1990, and the D&O insurance policies are in accordance to Law no. 31/1990.
D&O managers' liability insurance is usually contracted by the company for the managers. This insurance covers the losses caused to the company or third parties that might result from the activity conducted by managers.

In the case of D&O policy, the beneficiaries are both the company and the managers. The company is protected both against third parties for damages that might be produced by the directors and officers within the limits of amounts insured and for damages that might be caused to the company by directors and officers. Directors and officers are also protected both against third parties and the company for damages that may occur as a result of their professional activities.

Specifically, the auditors concluded that the unlawfulness of the insurance concluded by SNN lies in the fact that the D&O insurance policy does not cover exclusively the directors and executive officers; it also protects the company that assigned them to manage it.

According to the insurance policy concluded by SNN, the Insurer undertakes to cover the amounts that the Insured would be required to pay as compensation for damages caused as a result of wrongful acts or acts, errors or omissions involuntarily made in the exercise of the director/ officer office.

Because of the importance of SNN management positions and given the hierarchical framework for delegating the powers, the company has adopted a pragmatic policy towards protection in reference to the errors that the management staff expose it in their ability as officials in charge, officers or directors of the company.

We mention that the managerial staff expose themselves both to a personal risk and a professional one, and the risks inherent in exercising their office implicitly fall upon the company.

Consequently, protecting the representatives acting with an official mandate for the company is in its very interest not in the individual's interest; thus, the protection by insurance is part of the responsibility of the company.

Therefore, it is undeniable that it is in the very interest of the company to conclude such insurance, especially in the context of a possible lawsuit for damages filed against the company by eventual third parties suffering damages.

The D&O policy represents a complex insurance providing both the liability to third parties of the director and/or officer and the liability to the company.

Similarly, in the case of professional liability insurance, the company is one of the beneficiaries, and so in this respect there is identity between the two policies in terms of the risks insured and its beneficiary.

Both types of insurance intend to protect the company (i) either for damages directly caused by the directors/officers (ii) or in case the company would be required to exercise its right of recourse against it for damages paid to third parties.

A similar comparison can be made for motor insurance: there is legal obligation to conclude a MTPL policy (motor third party liability for damage to third parties), but there is no obligation to conclude a voluntary insurance policy (CASCO type for the vehicle damage due to fault of the driver employed by SNN), but the benefits of CASCO policies are obvious because they even protect the company assets from damage that may be caused by the negligence of their employees (drivers). By similarity, the D&O policy covers both a strict legal obligation (professional liability insurance regulated by Law no. 31/1990) and an optional one (D&O type which includes actually the professional liability insurance regulated by law no. 31/1990), but additionally assumed by the contracts of administration/mandate and by Articles of Incorporation.

By comparison, there is no legal basis to compel the company to conclude CASCO insurance for vehicles, though this happens due to prudent risk management policies and in order to protect the company's assets; the same, as for the D&O insurance policy there are similar voluntary covers that the company committed to adopt for directors and officers, being simultaneously a protection both to them and the company. The obligation to conclude a D&O insurance policy for directors and officers is included in officers and Board of Directors members mandate namely SNN undertook to conclude such an insurance paid by the company and one cannot deny that and such a measure was relevant for directors and officers when they accepted the jobs; we also mention that as far as the company knows the majority state-owned companies that have implemented the provisions of GEO 109/2011 regarding corporate governance of public enterprises, have concluded such D&O policies for directors and officers.

The contracts of mandate concluded by SNN directors and officers appointed under the provisions of GEO 109/2011 contain a series of rights that are not expressly mentioned in any legislation, without their non-inclusion limiting the right of shareholders to approve the proposal for the rights that determined the mandate acceptance by the directors and officers (including D&O policy); the only limitation under the law relating to the rights granted to directors and

officers refer to a maximum limit of the fixed monthly allowance, limit that is fully respected and stipulated in the contracts of mandate.

Conclusion of D&O insurance policies was considered by SNN both a prudential way to protect the company and a modality to respond to the obligation imposed by the legislator to the persons appointed as director or officer to have a professional liability insurance; besides, the D&O policy was included in the package of rights granted to the managers appointed under GEO 109/2011 which constituted itself with other rights and obligations under the terms provided in the contracts of mandate the basis for these people to accept the office.

II.5 Lack of state reasons for the deviation from the administrative documents issued by the Court of Auditors

We present below the legal provisions invoked by the external public auditors in the Report, Decision and Conclusion as being violated and the arguments for considering that either these provisions are not applicable to the case, or, in reality, there is no violation of these provisions :
(i) provisions of art 138^{1} paragraphs 1 and 2, art 143 paragraphs 1, 2, 4 and 5 and art 153^{12} paragraphs 3 and 4 of Law 31/1990;

The articles included in Law no. 31/1990 mentioned as being violated are in fact articles used for motivating the existence of a deviation from legality and regularity, such articles being not violated by SNN. Thus, article 138^{1} paragraphs 1 and 2 of Law no. 31/1990 provide as follows: “(1) If in a joint stock company the management powers are delegated to the officers, according to art. 143, the majority of Board of Directors members shall be composed of non-executive directors. (2) For the purposes of this law, non-executive Board of Directors members are those who have not been appointed officers, in accordance with art. 143." SNN did not violate the provisions of article 138^{1} paragraphs 1 and 2 of Law no. 31/1990, as the majority of Board of Directors members consists of non-executive directors; thus, currently there are seven members of the Board of Directors, but only one member acts as CEO. Please note that, when concluding the insurance policies subject to the deviation from legality, two members of the seven were executive directors, currently only the CEO being simultaneously member of the Board of Directors.

Article 143 paragraphs 1-4 of Law no. 31/1990 provides: "(1) The Board of Directors may delegate the management of the company to one or more officers by appointing one of them as CEO. (2) The members or non-members of the Board of Directors may be appointed as Officers. ... (4) As for the joint stock companies whose annual financial statements are subject to a legal

obligation of financial auditing, delegating the management of the company in accordance with paragraph (1) is mandatory. (5) For the purposes of this law, executive officer of a joint stock company is only that person who has been delegated and empowered with company management, according to paragraph (1). Any other person, regardless of the technical name of the position held within the company, is excluded from applying the rules of this law on joint stock company officers.". SNN did not violate article 143 paragraphs 1, 2, 4 and 5 of Law no. 31/1990 because, given that SNN is a company whose annual financial statements are subject to audit required by law, the Board of Directors has delegated the company management to the CEO, CFO and CNE Cernavodă Branch Executive Officer.

Article 153^{12} paragraphs 3 and 4 of Law no. 31/1990 stipulate as follows: "(3) For the appointment of a director or a member of the board of directors or of the supervisory board, to be legally valid, the person appointed must expressly accept the office. (4) A person appointed to one of the positions provided in paragraph (3) must be insured for professional liability." SNN did not violate article 153 paragraphs 3 and 4 index 12 of Law no. 31/1990 because the persons appointed as directors and executive officer: (i) expressly agreed the appointment, signing the affidavits that were submitted to the Trade Register at the time of their registration; (ii) have professional liability insurance through an insurance product offered by the insurance market in Romania to comply with this legal provision.

(ii) Provisions of article 6 paragraph 2 and article 9 paragraph 1 of Law on accounting no. 82/1991

Thus, article 6 paragraph 2 and article 9 paragraph 1 of Law 82/1991 stipulate:

(iii) Article 6 paragraph 2: „The supporting documents underlying the accounting records shall engage the responsibility of the persons who have prepared, endorsed and approved them, as well as of those who have registered them in the accounting records, respectively."

(iv) Article 9 paragraph 1: „The official documents presenting the financial-economic activity of the persons mentioned in article 1 paragraphs (1) - (4) are the annual financial statements prepared according to accounting regulations and must give a true image of the financial position, financial performance and other information, under the law, on their activity."

These disposals considered to have been violated do not contain provisions that have an impact on concluding insurance contracts or specific provisions on how insurance policies have to be managed.

These provisions affect: (i) how to engage the responsibility for the accounting records, specific provisions representing general disposals for liability of persons who have prepared, endorsed and approved the supporting documents, as well as those who have registered them in the

accounting records; (ii) annual financial statements that must present a true image of the financial position of a company. SNN fully complies with these provisions. (iii) The provisions of article 10 paragraphs 3 and 4 of GO no. 119/1999 on the internal audit and preventive financial inspection.

Article 10 paragraphs 3 and 4 of GO no. 119/1999 stipulate: (3) In order to grant the approval for the internal preventive financial examinations, the operations projects are presented accompanied by appropriate supporting documents, certified as being real and legal by the signature of the heads of specialized departments who initiate the operation. (4) The heads of specialized departments mentioned in paragraph (3) are liable for the reality, regularity and legality of the operations whose documents they have certified. The approval for the preventive financial examination on documents that contain inaccurate or false data and/or fatherly proved to be unlawful does not exonerate the heads of specialized departments which have prepared them." Again we are in a situation where legal provisions invoked as violated have no connection with the so-called deviation from legality by paying illegal insurance services. The provisions mentioned above regulate both the conditions under which the approval for the preventive financial examination is granted and the responsibility incumbent to the heads of the specialized departments.
(iv) The provisions in section 3.3 letter a) of Order no. 522/2003 for approving the General Methodological Rules on exercising the preventive financial examination

Section 3.3 letter a) of Order no. 522/2003: "3.3 The preventive financial examination consists of a systematic check of the operations in terms of: a) compliance with all legal requirements applicable to them, in effect on the date when the operations (control of legality) is conducted." SNN has not violated section 3.3 letter a) of the Order no. 522/2003, the preventive financial examination conducted for payment of insurance services being made in compliance with applicable legal provisions, the public external auditors failing to indicate any applicable law text to be violated by SNN; they only indicated some judgements, misinterpretations of law.

By transposing all these legal provisions to the actual case, namely the one of the insurance policies that SNN concluded, the Court may find that none of the items listed by the Court itself include any legal provision violated by SNN by concluding the insurance policies or by paying the value of the insurance services.

The fact that some legal texts have been erroneously indicated as legal basis in the Report, Decision and Conclusion, and those legal provisions do not include any disposal violated by

SNN - by signing or paying the insurance policies - is equivalent to the absence of indicating the basis of law, which entails the nullity of the administrative document.

III. Conclusion

Given all above-mentioned, we submit for approval to the General Meeting of Shareholders (considering the decision of the Court of Auditors no. 16/05.11.2015) the conclusion of the D&O insurance policies for directors and officers until the expiry of their mandates in compliance with: (i) the Articles of Incorporation of SNN, as approved by the Resolution of the Extraordinary General Meeting of Shareholders no. 10 dated 09.05.2013 and the Resolution of the Extraordinary General Meeting of Shareholders No. 4 dated 29.04.2014; (ii) the provisions of the administration contracts concluded by SNN with the Directors, as approved by the Resolution of the Ordinary General Meeting of Shareholders no. 19 dated 24.07.2013 and (iii) the provisions of the mandate contracts concluded by SNN with the Officers in accordance with the Articles of Incorporation approved by the shareholders.

CEO
Daniela Lulache

CFO
Mihai Darie

Executive Officer of Juridical and Corporatist Affairs Department
Laura Constantin