

Fondul
Proprietatea

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Stamp: S.C. Fondul Proprietatea S.A.
Issue No. 877
Day 21 month 11 year 2016

To: SN Nuclearelectrica SA
In the attention of: Members of the BoD
For the knowledge of: Ministry of Energy
Mr. Victor Vlad Grigorescu, Minister of Energy
Regarding: Request regarding the introduction of additional points on the agenda of the GOMS from 09.12.2016

*Stamp: Societatea Nationala
Nuclearelectrica S.A.
General Registration
No. 12936 / 21.11.2016*

Dear Sirs/Madams,

The undersigned **FONDUL PROPRIETATEA S.A.** with registered office in Bucharest, 78-80 Buzesti street, 7th floor, Sector 1, registered at the Register of Commerce with the Bucharest Court of Law, under no. J40/210901/2005, sole registration cod 18253260, as shareholder of SN Nuclearelectrica SA,

according to the provisions of art. 117¹ paragraph (1) of the Law no. 31/1990 of the companies, republished, with subsequent amendments and additions and the provisions of art. 7 paragraph (1) letter a) of the Regulation CNVM 6/2009 regarding the performance of certain rights of the shareholders within the general meetings of companies,

we hereby request to you the introduction of an additional point on the agenda of the GOMS of SN Nuclearelectrica SA from 09.12.2016 as follows:

Point 1 The Approval of organizing the selection procedure of the members of the company's BoD by the public tutorial authority (i.e. the Ministry of Energy) according to the provisions of art. 29 of the GEO 109/2011 regarding corporate governance of the public companies

Proposal of decision for the additional point 1 of the agenda of the GEMS

'Approves the organization of the selection procedure of the company's BoD members by the public tutorial authority (i.e. the Ministry of Energy) according to the provisions of art. 29 of the GEO 109/2011 regarding corporate governance of the public companies'

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Justifying the proposal

According to the provisions of art. 4 paragraph (3) of the Methodological standards for establishing the selection criteria, for drafting the short list of up to 5 candidates for each position, their classification, the procedure regarding final appointments as well as other measures necessary to implement the provisions of the GEO no. 109/2011 regarding corporate governance of public companies from 28.09.2016 (**'Methodological standards'**):

*'In order to appoint the companies' BoD members, the GMS, assembled at the request of the state-shareholder or administrative territorial unit decides the initiation of the selection procedure of the BoD members, according to the provisions of art. 64⁴ of the emergency ordinance and art. V of the Law no. 111/2016. In the decision **it is mentioned also if the state-shareholder or administrative-territorial unit organizes a selection procedure**, to propose candidates for the board members, according to art. 29 paragraph (3) and (4) of the emergency ordinance, respectively if the board shall propose board members, by applying art. 29 paragraph (2) of the emergency ordinance.'*

The company's BoD assembled the GOMS having on the agenda the extension of the mandate of 6 of the company's BoD members, even though one of the BoD members (Mr. Codrut Bogdan Nicolae Stanescu) was not selected according to the provisions of the GEO 109/2011 regarding corporate governance of public companies and the provisions of art. 28 paragraph (5) of the GEO 109/2011 were not complied with, according to which:

'In case of BoD which member no. complies with the provisions of paragraph (2), there can be no more than 2 members from public officers or other categories of personnel within the public tutorial authority or within other public authorities or institutions.'

Considering the fact that Mr. Alexandru Alexe, Mr. Bogdan Stanescu, Mrs. Carmen Popa and Mr. Dan Popescu are public officers or are part of the personnel of other public authorities or institutions, we believe the provisions of art. 28 paragraph (5) of the GEO 109/2011 are not complied with.

We consider it is necessary to clearly initiate a selection process of the company's BoD members and the performance of this selection process by the public tutorial authority, considering the following reasons:

1) Loss suffered by the company's shareholders following the drop of shares value

The company's value dropped by approximately 60% since its listing and until present time. Therefore, the effective absolute loss suffered by the shareholders is of approx. lei 2 FONDUL PROPRIETATEA S.A., alternative investment fund, with head office at 78-89 Buzesti street, 7th floor, sector 1, Bucharest, postal code 011017, Romania – Fiscal Identification Code (FIC): 18253260, registered at the Register of Commerce under no. J40/21901/2005 – registered at the Personal Data Operators Registry under no. 18668 – Subscribed paid share capital: RON 9,168,314.70, Paid share capital: RON 8,859,073,619.20 – Phone: +40 21 200 9600; Fax: +40 21 200 9631; Email: office@fondulproprietatea.ro, Internet: www.fondulproprietatea.ro

billion (EUR 453 million) of which most part represents the loss of the majority shareholder, Ministry of Energy, registering a loss of lei 1.68 billion (EUR 373 million).

2) The strong drop of the company's profitability during the current mandate of the BoD

The company's profitability dropped significantly during the period 2013-2015, respectively by approximately 65% while the costs of allowances paid to the executive and non-executive leadership were increased by 46%:

	2013	2014	2015
Net profit (lei million)	426.8	131.4	147.3
Costs with the salaries of the company's leadership (lei million)	4.49	5.97	6.59

Source: final consolidated statements (2013, 2014, 2015) of SN Nuclearelectrica SA

Therefore, even though the company's profitability dropped during the period of the administrator's mandate, the costs with the allowances of the company's leadership were increased from lei 4.49 million in 2013 to lei 6.59 million in 2015.

3) The lack of any initiative from the part of the BoD in trying to stop de constant and abrupt drop of the share's price.

During the mandate of the BoD, no action was implemented, meant to have as result the reestablishment of the company's investors and shareholders' trust and the increase of the company's shares price, indicating the lack of interest of the company's BoD for the share price and for the value of the company's shareholders' assets.

Moreover, the company's management publicly supports the project for building the 3&4 reactors as the feasibility studies up to date showed the fact that this is not feasible unless by a very generous subvention plan to be approved by the Romanian Government and supported by all contributors in Romania. We encourage the company's management to support a project providing a maximum performance level for the company's shareholders, without leaning on subvention plans; **currently, the most important project of the company, on which the management should focus on, is extending the life span of reactor no. 1 from Cernavoda, which financing must be secured.**

4) The incompliance of the performance indicators expected by the management plan of the BoD

We hereby mention that the performance indicators of the management plan of the BoD were not achieved since July 9th, 2013.

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We mention below the obligations taken by the company's BoD through the Management plan in regards to the relevant financial indicators, reported to the performances of the BoD during the period 2013-2016.

Annual indicators (RON million)	2013		2014		2015		2016	
	Expected	Performed	Expected	Performed	Expected	Performed	Expected	Performed
Turnover	1.892	1.933	1.983	1.796	2.077	1.749	2.181	1.700
Exploitation profit	227	459	293	173	343	159	394	60

Source: www.nuclearelectrica.ro, www.mfinante.ro
**for 'Bugetal' 2016, the annual turnover was calculated as exploitation income*

We consider that the subsequent amendment of the performance indicators based on the company's income and expenses budget lead to establishing easy to comply performance indicators by the company's BoD which do not correspond to the expectations of investors who invested in the company's listing.

The approval of the company's majority shareholder of very conservative annual budgets and respectively of certain performance targets easy to comply with lead to performing weak financial results during the period 2013-2015, which lead to prejudicing shareholders by dropping the value of the SNN share.

Renewal of the company's CEO mandate

According to material presented by the company's BoD, the renewal of the company's BoD members' mandate is equivalent to the renewal of the company's CEO mandate.

We hereby mention that the provisions regarding the renewal of the BoD member's mandate apply **only** for the position of the BoD member, not for that of the company's CEO, due to the fact that the appointment of the company's executives is different from the one appointing the company's administrators.

We hereby mention that there are no legal provisions allowing the shareholders to renew the mandate of a company's executive because the appointment and revocation of the executives is the exclusive task of the company's BoD and not of the GMS and the extension of the mandate by the shareholders might represent a breach of the corporate governance principles and of the provisions of the GEO 109/2011. As a matter of fact, the provisions of art. 28 paragraph (7) are very clear referring only to the administrators' mandate and not to the company's executives.

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Therefore, according to art. 28 paragraph (7) of the GEO 109/2011:

*'The administrators' mandate is established by the articles of incorporation, not exceeding 4 years. The **administrators'** mandate, who performed their attribution accordingly, may be renewed following an evaluation process, if through the articles of incorporation is not stated otherwise. The administrators' mandate appointed following the termination, under any circumstances, of the initial administrators' mandate coincides with the period remained from the mandate of the replaced administrator.*

According to the current legal provisions, the appointment of the executives is performed following a selection procedure which is separate for the executives; **after appointing the members of the BoD**, by the BoD appointed by the shareholders. In this regard, art. 35 paragraph (4) of the GEO 109/2011 provides that:

*'The executives, regardless if selected within the BoD or outside of it, are **appointed by the BoD**, at the recommendation of the nomination committee following **a selection procedure for that particular position**, developed **after** the appointment of the BoD members according to the provisions of art. 29. The BoD may decide to be assisted or for the selection to be performed by an independent expert, natural or legal authorized person in human resources recruiting, which services are contracted according to the law.'*

We are available for any clarifications regarding the abovementioned.

Legal Representative

Adrian CIGHI

Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as Investment administrator of FONDUL PROPRIETATEA S.A.

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