



NUCLEARELECTRICA

*Translation from Romanian*

**REPORT ON THE ACTIVITY CONDUCTED DURING THE MANDATE  
2013-2015**

**NICOLAE BOGDAN CODRUT STANESCU  
MEMBER OF THE BOARD OF DIRECTORS OF  
“SOCIETATEA NAȚIONALĂ NUCLEARELECTRICA S.A.”**

*Nicolae Bogdan Codrut Stanescu* - Member of the Board of Directors elected on the General Meeting of Shareholders dated 29.04.2015. Presently, I am an advisor to the Deputy Governor of the National Bank of Romania, being responsible for the management of the legal activity on banking sector, monitoring the performance of public procurement in the NBR by application of the related legislation. Between 2015-2016 I have worked as General Manager of the General Directorate of Commercial Companies in the Ministry of Energy, Small and Medium Enterprises and Business Environment with responsibilities to coordinate the management of the companies in the portfolio of the ministry, including the participation in privatization committees of IPP or IPO type and drafting normative acts initiated by the ministry. I have experience in managing public companies ante and post-privatization, the activity carried out within various organizations targeting complex legal issues, analytical and administrative of public companies. I have held various management positions and I have worked as a legal expert in the APAPS and later in the Authority for State Assets Capitalization ("AVAS"), coordinating entire professional activity in privatization and management of the companies in the AVAS portfolio. PhD in Law, graduate of the University "Oil and Gas" Ploiesti, 4 masters in domains as: mediating law conflicts, national security and defense, European public space and public international law. I have also own numerous professional certifications in banking and management from institutions in the country and abroad.

## 1. Executive Summary

The present Activity Report covers the period April 2013 - December 2015 when I was the Administrator of Societatea Națională Nuclearelectrică S.A. ("SNN" or the "Company") under the Contract of Administration no. 03/01.08.2013 concluded with the Company. This Activity Report aims to support the shareholders to renew the Directors Service Agreement in accordance with GEO no. 109/2011 regarding the corporate governance of public companies as amended and supplemented ("GEO no. 109/2011"), given that the director's mandate expires on 25.04.2017. The renewal decision is based solely on the successful fulfillment of the mandate and on the performance indicators, aspects identified by the decisions of the shareholders and reports of independent auditors. Additionally to the objective criteria intended to support the renewal of the mandate for the Board of Directors' members, it is also necessary to maintain the good practice at international level in the nuclear industry, namely that of ensuring stability and continuity of the management of an operator of nuclear power plants for an optimal operational activity. The international assessments made at the nuclear operators are considering the lack of managerial continuity in the nuclear industry as a complex risk.

Therefore, the SNN Board of Directors members whose term of mandate expires on 25.04.2017, in accordance with the provisions of GEO 109/2011 and Decision no. 722 of 28<sup>th</sup> of September 2016 approving the Methodological Norms for the application of certain provisions of the Government Emergency Ordinance no. 109/2011 regarding corporate governance of public companies ("Methodological Norms GEO no. 109/2011") put to the vote in the General Meeting of Shareholders the renewal of the Directors' Mandate Agreements.

Acting in a diligent and prudent way, SNN Board of Directors decided to submit to the General Assembly of Shareholders the renewal of mandates of the directors, expiring on 25.04.2017, 5 months before the expiry of such mandates so that in case the shareholders do not agree to renew the mandates, to be enough time to organize a selection procedure in accordance with GEO no. 109/2011 to be conducted by the tutelary public authority or by the Company, as determined by the shareholders on this issue.

We emphasize that carrying out a selection procedure requires a minimum of five months considering all the deadlines to be respected, provided by GEO no. 109/2011. Moreover, Article 644 par. 3 of GEO no. 109/2011 provides expressly that the selection procedure for the Board of Directors' members ends no later than 150 days after its initiation. Thus, it is important that current members of the Board of Directors to submit this issue to the shareholders in a timely manner and not wait until their mandate expires on 04.25.2017. We believe that it is not in the interest of the company the mandates to expire on 24.04.2017, nor the appointment of provisory administrators who can avoid taking major decisions, which can be extremely important for the company. The appointment of provisory administrators can have negative consequences on the company's activities.

Article 28 paragraph (7) GEO 109/2011 provides: *"The mandate of the directors is set in the Articles of Incorporation and it may not exceed four years. Appointments of the directors who have properly fulfilled their duties **may be renewed following an evaluation process, if the Articles of Incorporation do not provide otherwise.** The mandate of the directors appointed following the termination of any form of the mandate of initial directors coincides with the remainder of the mandate of the director who has been replaced."* At the same time, Article 18 (1) of the Articles of Incorporation of SNN specifies the following: *"The Company is managed in an integrated system. The executive body of the company is the Board of Directors which consists of 7 members. **The members of the Board of Directors shall be elected for a term of four years and they can be re-elected.**"*

Article 29 paragraph (14) of GEO 109/2011 establishes the following: *"If the candidates proposed by the Board of Directors are currently directors, the application for renewal is addressed to the general meeting of shareholders under Article 28 paragraph (7) the candidate having the obligation to submit an activity report for the term already performed."*

According to the above legal provisions for the renewal of the mandate, this report provides a comprehensive assessment of the activity as a member of the Board of SNN during the mandate performed between April 2013 and December 2015. The activity report was presented to the Board of Appointment and Remuneration and the Board of Directors and will be presented to the SNN shareholders at the SNN General Assembly of Shareholders that will take place on 09.12.2016.

The activity report shows: the degree of fulfillment of the performance indicators established and assumed under the Directors Service Agreement correlated with the targets set in the Management Plan in 2013, the fulfillment of indicators related to objectives, relevant achievements associated to the measures implemented, work in the committees established by the Board of Directors, the application of the principles of transparency and corporate governance from its IPO to date, dividend policy, presence at the Board of Directors meetings.

The activities and results presented in the report are centralized for each year of the term, namely for 2013, 2014, 2015, following that in accordance with the capital market legislation, after reporting the company results for the period up to 30.09.2016 to the capital market institutions the present report shall be therefore be supplemented with this information. Besides, this report shall also be updated with the information related to the entire term of mandate - April 2013 - April 2017 until 01.08.2017.

In this context, the evaluation process mentioned in Article 28 paragraph (7) of GEO 109/2011 will be made public by the selection committee established at the level of the tutelary public authority undertaking the assessment of the current directors if there is a request for their mandate renewal. In accordance with Article 1 point 12 of the Methodological Norms, evaluation of the activity of the board's members asking for their term to be renewed represents the systematic, rigorous, transparent and best practices-related assessment of the board's members asking for their term to be renewed, assessment which is conducted by the selection committee.

## **2. The selection method for the Board of Directors**

SNN is administered in unitary system, the Board of Directors consisting of 7 members, of which six are non-executive members, in accordance with the provisions of GEO 109/2011. The structure of the Board of Directors complies with the provisions of the Companies Law no. 31/1990 regarding the number of the independent members in the Board.

Thus, prior to April 25, 2013, the Office of State Ownership and Privatization in Industry (OPSPI) had selected the association formed by S.C. Quest Advisors S.R.L. and S.C. Transearch Internațional S.R.L. to assist the Ministry of Economy, through OPSPI, in recruiting the candidates - members of the Board of Directors of **S.N. Nuclearelectrica S.A.**

**The recruitment and selection criteria applied were the following ones:**

- Minimum 10 years of professional experience, of which at least 5 years in administration/management;
- Graduate of higher education;
- Knowledge of Romanian or a main foreign language;
- Legal entities will be specialized in business administration in the energy sector, with a minimum 5 year experience;
- Experience for natural or legal persons/entities in positions of administration/management in companies with a minimum turnover of EUR 100 million or 1,000 employees.

**Benefits:**

- For natural persons/representatives of Romanian legal entities knowledge of English is an advantage;
- For natural persons/representatives of foreign legal entities knowledge of Romanian language is an advantage;
- Graduate of specialization/master in the fields of management/marketing/law/economics/engineering;
- Knowledge of the legislation related to the activity conducted by public companies;
- Knowledge of the capital markets and the relationship with the investors;
- Experience in both local and international companies;
- Relevant experience within public or private legal entities;
- Experience in dealing with the public authorities, regulators and supervisors;
- Knowledge of corporate governance;
- Strategic vision demonstrated;
- Excellent interpersonal skills;
- Professionalism.

**Other rules regarding the selection process were the following ones:**

- No more than two (2) persons being civil clerks or other employees of the Ministry of Economy - as tutelary public authority – or employees of other public authorities or institutions may be selected.
- Among the members of the new Board of Directors, at most 2 (two) persons shall be appointed as executive directors.
- At least one of those selected must have a minimum 5 year experience in the field of electricity.
- At least one of the Board members must have economic studies and experience in economics, accounting, auditing or financing (at least 5 year experience).
- A natural person may exercise no more than 5 concurrent terms as director and/or member of the Supervisory Board in joint stock companies/public companies whose registered offices are in Romania.
- Necessarily, in the selection of candidates will be taken into account avoiding conflicts of interest or incompatibilities.
- Most board members selected must be non-executive and independent members within the meaning of Article 138<sup>2</sup> of Law 31/1990.

### 3. Objectives of the Management Plan and Performance Indicators

SNN objectives established and assumed in the Management Plan drafted in May and approved by the General Assembly of Shareholders no. 19/24.07.2013 were determined based on the opportunities, risks and forecasted evolution of the economy and energy market with consideration of specific issues at that time.

- A. The operation of nuclear units safely and under Nuclear Safety for the employees, population, environment and production assets**
- B. Keeping the electricity production capacity above the current average level in industry**
- C. The fulfillment of the major Investment objectives**
- D. Improvement of the financial performance indicators of the Company**

In connection to these objectives the performance indicators of the Board of Directors have been set so as to reflect the activities and measures of the Board of Directors members in an objective and coherent way and to allow a qualitative and quantitative measurement of these measures and actions:

Pos.	Objective/Performance Indicators	Measurement	MU
<b>Improvement of indicators regarding the financial performance of Company</b>			
1	Turnover per year	Line 01 form 20 Balance sheet	Million RON
2	Operational profit per year	Line 36 form 20 Balance sheet	Million RON
3	Arrears	Line 04 Code 30 Balance sheet	Thousand RON
4	Work productivity	Turnover/average number of employees	Thousand RON/person
5	Operational costs per RON 1000 turnover	(Operational costs/turnover) * 1000	RON
<b>Fulfillment of major Investment objectives</b>			
6	Achievement of annual investment value plan (According to Table 28 and the Annual Budgets)	Value of achieved investments/Value of scheduled investments	%
<b>Maintaining of the production capacity of electricity above the average level in industry</b>			
7	Duty coefficient of installed power	Achieved production MWh/Maximal theoretic production MWh	%
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors	CNE Cernavodă	



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#### **4. The annual achievement degree for the performance indicators within the period 2013-2015 calculated based on the IFRS**

To achieve the objectives set, the General Meeting of Shareholders set for the Board of Directors some performance indicators that reflect both the specificity and uniqueness of the nuclear power producer, and the economic operator.

The degree of fulfillment of such indicators for the mandate is as follows:

The performance indicators and criteria included in the directors' service agreement have been stipulated in mid-2013 based on local accounting standards applicable. By the fiscal year 2013 SNN has been applied the International Financial Reporting Standards (IFRS).

The performance indicators were calculated based on the annual income and expenditure budgets of SNN, approved by the General Assembly of Shareholders or by government decisions, as appropriate, and based on the financial statements, the operational reports and Annexes 1 and 1.1 in the directors' agreements signed between the company directors and annually updated in accordance with the approved income and expenditures budget for each year.

In order to calculate the degree of fulfillment of the investment annual value plan only the major investments mentioned in table 28 of the management plan are taken into account, and the achievement is limited to a maximum of 100% (actual versus planned).

Calculation of the degree of fulfillment of the performance indicators of management is checked by the financial auditor.

## Performance indicators achievement as on 31.12.2013

Pos.	Objective/Performance indicators	MU	Estimated value Quarter IV	Achieved value Quarter IV	Achievement level (%)	Weighting coefficient	Achievement level of performance indicators col. 5 * col. 6 (%)
	1	2	3	4	5	6	col.5xcol.6 - (%)
<b>Improvement of indicators related to the financial performances of the Company</b>							
1	Turnover per year (cumulated since the beginning of the year)	Million lei	1,892.00	1,933.11	102.17%	0.20	20.43%
2	Operational profit per year (cumulated since the beginning of the year)	Million lei	227.00	461.10	203.13%	0.20	40.63%
3	Arrears	Million lei	0.10	0.02	500.00%	0.10	50.00%
4	Work productivity (cumulated since the beginning of the year)	Thousand lei/pers.	876.00	918.34	104.83%	0.10	10.48%
5	Operational costs per 1,000 lei turnover (cumulated since the beginning of the year)	lei	891.00	826.61	107.79%	0.10	10.78%
<b>Achievement of major Investment objectives</b>							
6	Achievement of annual value plan cumulated since the beginning of the year (according to Table 28 and Annual Budgets)	%	90.00%	100.00%	111.11%	0.15	16.67%
<b>Maintaining of the production capacity of electricity above the average level in industry</b>							
7	Duty coefficient of installed power	%	80.00%	94.28%	117.85%	0.10	11.79%
<b>Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets</b>							
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors	-	0	0	100.00%	0.05	5.00%
Achievement level of performance indicators						<b>1.00</b>	<b>165.78%</b>



## Performance indicators achievement as on 31.12.2014

Pos.	Objective/Performance indicators	MU	Estimated value Quarter IV	Achieved value Quarter IV	Achievement level (%)	Weighting coefficient	Achievement level of performance indicators col. 5 * col. 6 (%)
	1	2	3	4	5	6	7
<b>Improvement of indicators related to the financial performances of the Company</b>							
1	Turnover per year (cumulated since the beginning of the year)	Million lei	1,733.00	1,796.12	103.64%	0.20	20.73%
2	Operational profit per year (cumulated since the beginning of the year)	Million lei	38.00	175.21	461.08%	0.20	92.22%
3	Arrears	Million lei	23,00	0.02	100.00%	0.10	10.00%
4	Work productivity (cumulated since the beginning of the year)	Thousand lei/pers.	802.00	831.54	103.68%	0.10	10.37%
5	Operational costs per 1,000 lei turnover (cumulated since the beginning of the year)	lei	986.00	912.55	108.05%	0.10	10.80%
<b>Achievement of major Investment objectives</b>							
6	Achievement of annual value plan cumulated since the beginning of the year (according to Table 28 and Annual Budgets)	%	90.00%	85.81%	95.34%	0.15	14.30%
<b>Maintaining of the production capacity of electricity above the average level in industry</b>							
7	Duty coefficient of installed power	%	80.00%	94.82%	118.53%	0.10	11.85%
<b>Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets</b>							
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors	-	0	0	100.00%	0.05	5.00%
Achievement level of performance indicators						<b>1.00</b>	175.27%

## Performance indicators achievement as on 31.12.2015

Pos.	Objective/Performance indicators	MU	Estimated value Quarter IV	Achieved value Quarter IV	Achievement level (%)	Weighting coefficient	Achievement level of performance indicators col. 5 * col. 6 (%)
0	1	2	3	4	5	6	7
<b>Improvement of indicators related to the financial performances of the Company</b>							
1	Turnover per year (cumulated since the beginning of the year)	Million RON	1,750.00	1,749.91	99.99%	0.20	20.00%
2	Operational profit per year (cumulated since the beginning of the year)	Million RON	74.00	160.14	216.40%	0.20	43.28%
3	Arrears	Thousand RON	-	-	100.00%	0.10	10.00%
4	Work productivity (cumulated since the beginning of the year)	Thousand RON/person	833.00	860.33	103.28%	0.10	10.33%
5	Operational costs per 1,000 lei turnover (cumulated since the beginning of the year)	RON	966.00	927.39	104.16%	0.10	10.42%
<b>Achievement of major Investment objectives</b>							
6	Achievement of annual value plan cumulated since the beginning of the year (according to Table 28 and Annual Budgets)	%	90.00%	23.70%	26.33%	0.15	3.95%
<b>Maintenance of the production capacity of electricity above the average level in industry</b>							
7	Duty coefficient of installed power (cumulated since the beginning of the year)	%	80.00%	94.58%	118.23%	0.10	11.82%
<b>Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets</b>							
8	No event exceeding the operating level 1 on the International Scale of Nuclear Events relating to the degradation of in-depth defense barriers, impact on the site or outdoors		0 events exceeding the level 1 on INES scale	0 events exceeding the level 1 on INES scale	100.00%	0.05	5.00%
Achievement level of performance indicators						<b>1.00</b>	<b>114.80%</b>



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### 5. The way of achieving the performance objectives and criteria

#### 5.1. Improvement of indicators related to the financial performances of the Company

The Board of Directors analyzed and approved trade policies to ensure revenue stability based on maintaining a stable and constant production. These trade policies were accompanied by a more efficient procurement process through pro-active approach to the needs and the quantities involved. Besides, the Board took into account costs' efficiency by rethinking and prioritize the procurement processes or by implementation of the integrated management. Operating and maintenance expenses were also prioritized according to the needs and impact without affecting nuclear safety, the latter remaining the absolute priority.

Although the measures approved and implemented have resulted in more efficient costs and improvement of internal processes related to the internal control, the market context characterized at the beginning of 2013 by a significant energy prices decrease had a significant impact on the financial results after the historical net profit recorded in 2013.

Specifically, in the period 2013-2015 the following items became more efficient:

- The political and commercial strategy, by reference to lower selling price of electricity, predictability and stability of income in order to sustain the production and the ability to finance current investment projects;
- The system of internal control, including compliance with the OMFP 946/2005;
- The integrated management model with direct results on cost efficiency;
- The procurement process of products, services and works through dynamic planning and prioritization, timely delivery and strict quantity of goods and services by signing long-term contracts for the continuity of activities;
- The operation and maintenance costs;
- Reduced outstanding debts and obligations.

Major elements that impacted on the operating profit in the period 2013-2015:

- Decreasing of the selling prices of electricity on the competitive market (-16%) which did not compensate the decrease of volumes sold on the regulated market (-29%);
- Introduction by January 1, 2014 of a special construction tax which led to an increase in operating expenses (in 2014 they increased by 89,399 thousand lei compared to 2013);
- The amortization expense increased due to commissioning of some investments;
- The performance of the company is directly influenced by the fluctuations in currency exchange rates, cash and cash equivalents, long-term procurements and loans. The currencies which expose the Company to this risk are primarily EUR, USD, CAD.

## 5.2 Evolution of the energy price in the period 2013-2015

As a producer on the domestic electricity market SNN sells on two main market segments:

- The competitive market operated by OPCOM (according to the law the company must sell its whole production in Romania);
- And the regulated market, a market that will be gradually eliminated by the end of 2017 according to the market liberalization schedule undertaken by the authorities.

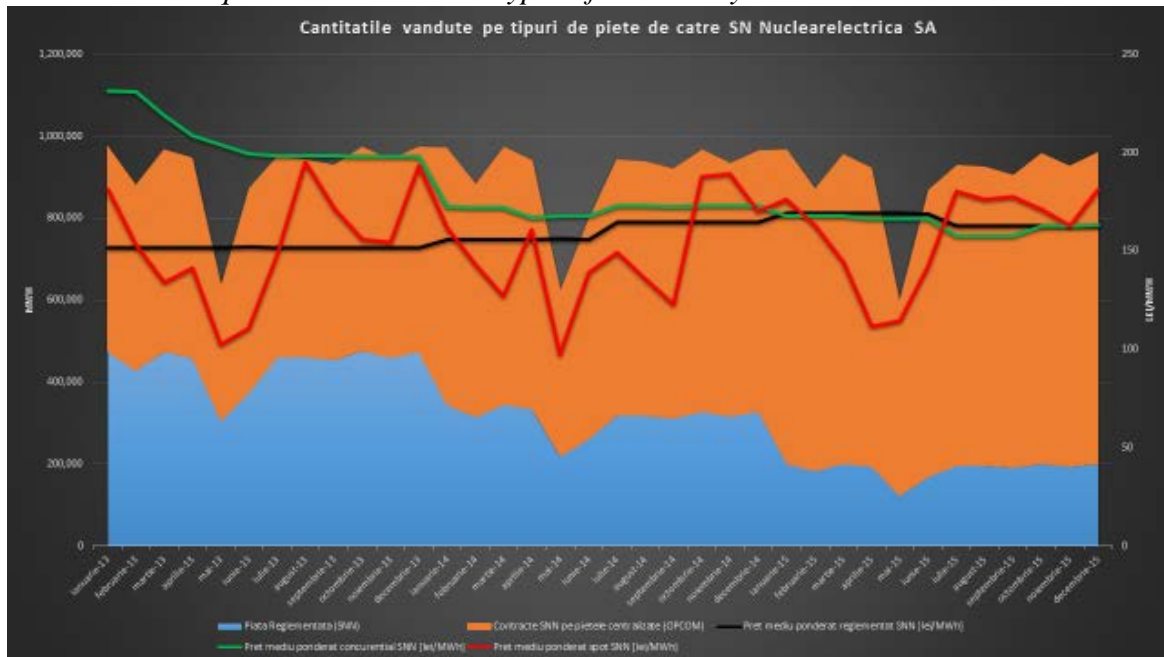
Thus, the percentage of energy Nuclearelectrica sold on the regulated market has declined in recent years from 50% in 2013, 35% in 2014, and 21% in 2015 to 14% in 2016. Nuclearelectrica will sell the whole production on the free market after the energy market liberalization scheduled for late 2017 will be completed.

For the regulated segment of the market, both the price and quantity are established by ANRE at the end of the year for the next year.

So, in terms of production capitalization, currently the most part of the income comes from selling on the open market.

The quantities sold on the types of markets in the period 2013-2015 and the forward curve of prices for the same period on the OPCOM platforms:

*The quantities sold on the types of markets by SN Nuclearelectrica SA*



*The forward price curve on the OPCOM platforms (PCCB, LE, NC, OTC)*



Given the significant involution of the market price since 2013, the Board of Directors has developed a sales strategy so as to counteract the possible negative impact caused by the massive price decrease.

**The major objectives aimed are the following:**

- A – the increase of flexibility degree of sales through diversification in order to meet the demands of the market, the aim being adaptation to the current market context.
- B – the cost efficiency with balancing.

Due to the sales strategy adapted to the market context and the diversification measures adopted and applied, SNN has maintained a consistently good performance of price at a very good level compared to the price of the electricity market, as shown in graphs above.

According to the data above mentioned, the results of the measures related to the fundamental objectives are significant, although in the period 2013-2015 the company faced a number of market related, legal and fiscal constraints impacted on all major areas of activity. The Board of Directors effort was bidirectional: a short term effort in order to counter the effects determined by external factors, and medium and long term effort by adopting measures and strategies adapted to the context. Besides, the efforts were channeled for the determination of changes in the legislation in order to correct the market failures, legal and fiscal coercions, the object being to facilitate the positioning of the company in a legal and fiscal context similar to the private companies to obtain similar outcomes by reducing specific differences.

Given the uniqueness of the nuclear industry, the Board of Directors has maintained its investments priorities in the benefit of the company even if the achievement of such an investment had a negative impact due to energy prices and fiscal factors already existing, as financial result of period.

In 2015 SNN announced that in the first semester of 2016, Unit 1 CNE Cernavodă will enter an extended planned shutdown involving the realization of additional maintenance works of the steam generator, works that are done only once during the initial life (30 years) of a

nuclear unit.

The decision to undertake this additional work within the planned shutdown of Unit I occurred in the second quarter of 2016, came as a result of technical and economic analysis, analysis that firstly considered calculating the medium and long term benefits associated to this prolonged planned shutdown. The result consisted in reducing the risk of decreased production of electricity of Unit 1 due to the reduced heat transfer efficiency associated to the magnetite deposits. Thus, the SNN management staff has prioritized the improving of efficiency of the heat cycle which direct result is to stabilize medium-term power production related to Unit 1, avoid the consequence of the capacity factor declining resulting in the production growth estimation by about 1.5-2% compared to the forecasted level to be achieved in the absence of performing this significant work.

The negative effects on the operational activity for the first half of 2016 were anticipated since 2015 and accordingly budgeted for 2016, an apparent short-term negative impact but beneficial over the medium and long time being assumed by the Board of Directors and the executive management.

### 5.3 Achievement of major Investment objectives

The SNN development program that has been set, is structured by objectives that are defined in relation to the production level and are intended to maintain both the electricity production capacity and the nuclear fuel capacity at the designed parameters level by complying with the requirements for nuclear safety and protection of the operation staff, environment and population so as to meet the requirement for modernization/upgrading of some systems, both for economic reasons (decrease of specific consumptions, improvement of some parameters characteristic to the operated processes, with a positive impact on the efficiency) and for legal reasons – the necessity of implementing some improvements related to the nuclear safety, protection of environment and employees representing imperative requirements imposed by the authorities regulating the field.

The major Investment objective, also mentioned in the SNN management plan for the period 2013-2017 are the following ones:

- ✓ The Burned fuel Intermediary Storage Facility (including SICA U#2), part of the policy applied by SNN in order to manage the burned fuel. The Burned fuel Intermediary Storage Facility will be built by stages, finally including a number of 27 storage modules with 12,000 de bundles per module able to store the burned fuel for 50 years.
- ✓ Modernization and extension of the Physical Protection System both for the objectives located inside the protected perimeter and for the ones located outside such perimeter and for implementing the works resulted after analyzing the critical installations and vital structures in case of threats outside the designed parameters.
- ✓ Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan – implementation of a system for emergency filtrated depressurization of the envelope at Units 1 and 2 CNE Cernavodă, implementation of a system consisting in the bursting disc and of a system for water addition in the calandria caisson at U1 and U2, implementation of a system for

monitoring and controlling the H2 concentration in the atmosphere in the envelope at U1 and U2, by installing a system for monitoring the hydrogen in atmosphere in the envelope "HERMETIS" type and by installing a system consisting in passive autocatalytic recombination devices "FR1-380T" type, including the arrangement, inside U5, of the areas related to the logistics required in order to perform the actions needed in case of severe accident.

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## 2013

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Project code	Name of project/Investment objective	2013		Achievement level
		Planned BVC [thousand lei]	Achieved [thousand lei]	(%)
PJ-05-016	Burned fuel Intermediary Storage Facility (including SICA U#2)	47,104	56,213	119.3%
PJ-04-001	Modernization and extension of the Physical Protection System	21,504	13,876	64.5%
PJ-11-006	Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan	75,786	82,340	108.6%
	Total	144,394	152,428	105.6%

The actions performed and the difficulties encountered in developing the major Investment objectives for 2013 are the ones below identified:

- *The Burned fuel Intermediary Storage Facility (including SICA U#2):* in December 2013 the acceptance of the construction and installation works at the module 6 MACSTOR 200 type took place and the works for arrangement of the area intended to provide the transfer of the burned fuel from the Burned fuel Basin to the Burned fuel Intermediary Storage Facility (DICA) were in progress;
- *Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan:* in August 2013 the works for implementing a passive system intended to recombine the hydrogen in case a severe accident occurs were completed and the works for implementing a filtration system for the atmosphere inside the reactor building (U1&U2) were in progress; the works for implementing a system for the water addition in the calandria caisson at U2 during the planned shutdown occurred in 2013 were completed and the works for implementation of some systems for monitoring the gases released after an eventual accident at U1 and U2 were completed and accepted.
- *Modernization and extension of the Physical Protection System:* the work for upgrading and completing the Physical Protection System was completed on 04.10.2013; the works for physical protection, 1<sup>st</sup> priority, 1<sup>st</sup> stage, resulted after analyzing the critical installations and vital structures in case of threats outside the design parameters were in progress.

## 2014

The SNN investment program for 2014 provided 75,881 thousand lei for the major Investment objectives, the achievement level at the end of 2014 being 85.8%, according to the table below:

Project code	Name of project/Investment objective	2014		Achievement level (%)
		Planned BVC [thousand lei]	Achieved [thousand lei]	
PJ-05-016	Burned fuel Intermediary Storage Facility (including SICA U#2)	30,752	27,520	89.50%
PJ-04-001	Modernization and extension of the Physical Protection System	28,213	24,867	88.10%
PJ-11-006	Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan	16,916	12,730	75.30%
	Total	75,881	65,117	85.80%

If we take into account the savings made during the year 2014, savings resulting from exchange rates more favorable than those used in preparing the budget, contracts signed at values lower than the budgeted ones, the effect of reducing CAS by 5%, the level of achievement of major objectives in relation to the planned value is 91.6%, which means a level of achievement of 101.77% of the minimum targeted value of 90%.

The actions performed and the difficulties encountered in developing the major Investment objectives for 2014 are the ones below identified:

- *The Burned fuel Intermediary Storage Facility (including SICA U#2):* SICA U2 was completed and commissioned, the construction and installation works related to modules 6 and 7 DICA were completed, the containers required for storing the burned fuel were provided, the works for module 6 physical protection were completed and the ones related to module 7 were in progress.
- *Modernization and extension of the Physical Protection System:* the access control point at CFR gate was completed and accepted (building, equipment and installation completed), the works for physical protection, 1st priority, 1st stage, resulted after analyzing the critical installations and vital structures in case of threats outside the design parameters were in progress.
- *Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan:* the works for implementing a filtration system for the atmosphere inside the reactor building (U1&U2) were completed and commissioned; the 2<sup>nd</sup> level Probabilistic Safety Assessment for both CNE units was done, the works intended to change the destination of the buildings located inside Unit 5



and their use during the entire life of operating are delayed due to some contracting issues.

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2015

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The SNN investment program for 2015 provided 69,245 thousand lei for the major Investment objectives, the achievement level at the end of 2015 being 23.70%, according to the table below:

Project code	Name of project/Investment objective	2015		Achievement level
		Planned BVC approved by GD no. 468/24.06.2015 [thousand lei]	Achieved [thousand lei]	(%)
PJ-05-016	Burned fuel Intermediary Storage Facility (including SICA U#2)	9,411	7,294	77.51%
PJ-04-001	Modernization and extension of the Physical Protection System	15,040	4,117	27.37%
PJ-11-006	Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan	44,794	5,001	11.16%
	Total	69,245	16,412	23.70%

The actions performed and the difficulties encountered in developing the major Investment objectives for 2015 are the ones identified below:

- *The Burned fuel Intermediary Storage Facility (including SICA U#2):* the works related to the implementation of physical protection system at module 7 DICA were completed, the designing services for extension of the Burned fuel Intermediary Storage Facility and replacement of MACSTOR 200 type modules by MACSTOR 400 type modules (beginning with module no. 10) were contracted; the provision of the containers required for storage of intermediary burned fuel are going on according to the activities schedule.

The contracting of the environment documentations related to the current stage of assessment for the project "CTRF and DICA Extension" integrated with the activities currently developed on the CNE Cernavodă platform was not completed in 2015. Thus, the activities approved for 2015 were rescheduled for 2016; the procurement procedure „Performance works for module 8 and 9, MACSTOR 200 type, preparation of the foundation rock and casting of completion concrete for module no. 10, related to the Burned fuel Intermediary Storage Facility was in progress at the end of 2015. Revisions of the descriptive documentation were required as asked by ANAP (ex ANRMAP);

- *Modernization and extension of the Physical Protection System:* the works for physical protection, 1st priority, 1st stage (preparation, approval and authorization of the execution documentation, equipment procurement, installation and PIF) were completed.

The execution of the 2<sup>nd</sup> priority Works for completing the physical protection system of CNE Cernavodă identified in the document "Analysis on maintaining uninterrupted the operation of the critical installations contained in the vital structures", works with budgeted amount of about 20 million Euro were provided to take place in 2015, but during 2014 the procurement procedure for this objective was suspended and the project was divided in two stages. The 2<sup>nd</sup> priority, 1<sup>st</sup> stage Works are valued at about 6.7 million EUR compared to the approximate 20 million EUR included in both stages. In 2015 the procurement procedure for 2<sup>nd</sup> priority, 1<sup>st</sup> stage Works were initiated but it was delayed since its implementation was depending upon obtaining the Industrial Security Authorization by the bidder such authorization being issued by the National Registry Office for Classified Information. Thus, the works provided to take place in 2015 were postponed to 2016. There were also delays in developing the procedure for the works and services required in order to change the destination of the buildings existing inside U5, due to a blockage in the procurement process.

Improvement of CNE Cernavodă response, namely of the functions related to the nuclear security in case of events occurred outside the designed parameters as a result of the Fukushima 1 nuclear power plant in Japan: the services for conducting the safety analysis for updating EPSN Level 1 and EPSN Level 3, the works scheduled for implementation during the 2015 planned shutdown at U2 (works for qualification of the loops used for measuring the security critical parameters to the environment (CSP) and the extension of the measure field to U2).

On 30.12.2015 the works and services required for changing the destination of the buildings existing inside U5 were contracted with a delay of 12 months as initially planned. The delay was generated by successive rounds of clarifications arising after publication in SEAP of the documentation that determined inclusively the changing of the specifications already prepared. These delays have led to the postponement for 2016 of all activities and their related expenses (about 35.8 million Lei), originally scheduled to be done in 2015. The implementation of the projects *Modification of 0.4 and 6KV of 1/2-52900 6KV-DG1/DG2 distribution system configuration for connecting the mobile Diesels in case of accident "Station Black-out"* and *Works for sealing the penetrations resistant to floods and steam U1/U2* were postponed to 2016 due to operational constraints.

#### 5.4 Operation of nuclear units under nuclear safe conditions for employees, population, environment and production assets and maintenance of the production capacity of electricity above the average level in industry and the duty coefficient of the installed power

The operation of the CNE Cernavodă units 1 and 2 under nuclear safe conditions for employees, population and environment simultaneously involved multiple conditions, such as:

- maintaining a maximum availability level of the technological and safety-related systems by applying proactive and perfectly adapted programs for maintenance, repairs and specific investment;
- strict control of radioactivity volume released in air and water below the regulated level;
- Developing and implementing a plan to maintain/improve the professional training of staff who performs the operation of the two units both by providing continuous

- internal training, and by participating in international experience exchanges;
- the constitution of the Nuclear Safety Internal Body, which acts at the level of the Board of Directors and reports directly to it; the Nuclear Safety Internal Body is intended to exhaustively assess all nuclear safety functions, to manage the risks by a pro-active and permanent control upon the Nuclear Safety activities and processes.

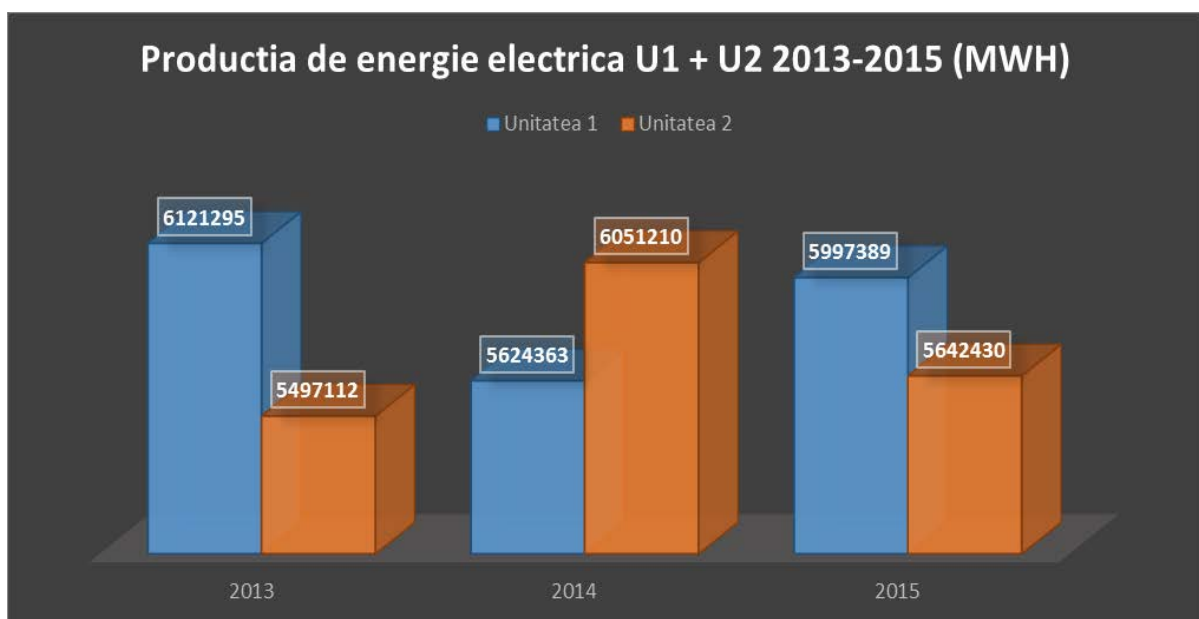
Besides, maintaining a high standard of nuclear safety is also the result of maintaining and developing international relations with international bodies and institutions with a role in the fields of regulation, control, research and exchange of experience and know-how.

In conjunction with the operating under full Nuclear Safety conditions, the activity conducted by the Board of Directors has equally focused on **maintaining the production capacity of electricity above the average level in industry, derived objective involving during the term of the mandate the following core activities:**

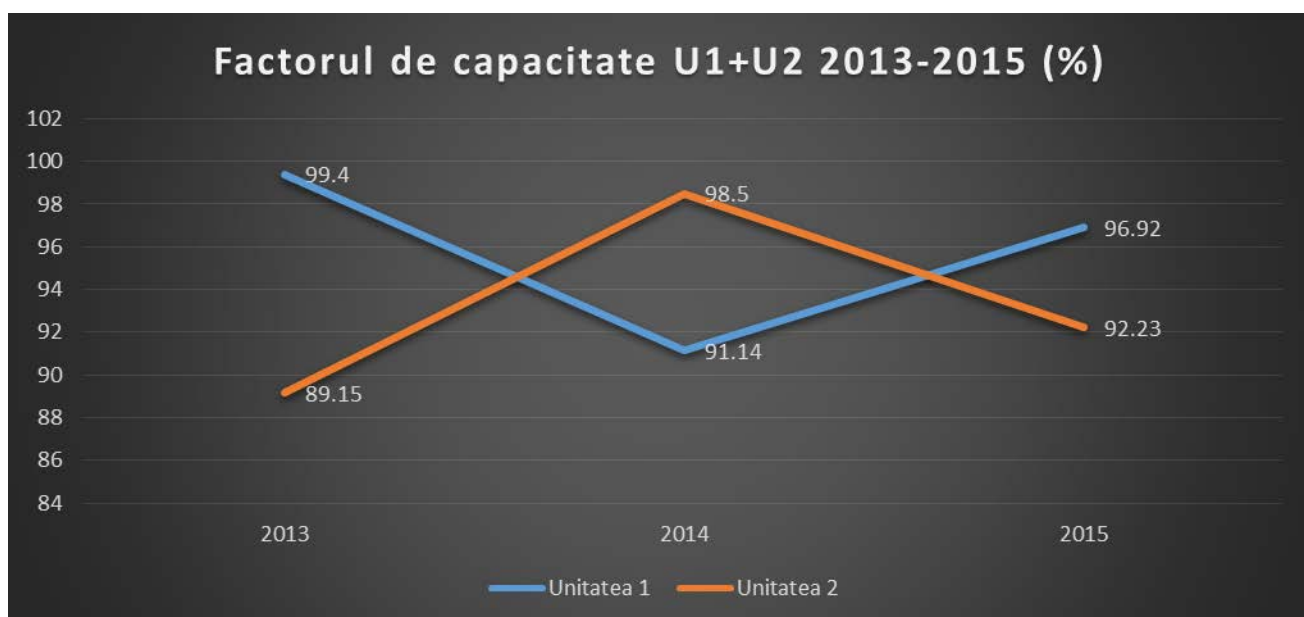
- Carrying out of maintenance and repair plans for increased reliability of equipment and systems and operation of nuclear units under conditions of safety and security;
- Developing of management programs for the lifetime of Cernavodă CNE components and systems;
- Continuation of replacement of components and equipment used and removed from production;
- Maintenance of the duty coefficient of installed power above the average level in the nuclear industry;
- Carrying out on time and with maximum quality of the scheduled and mandatory annual inspections of nuclear vital components (fuel channels, heat exchangers, etc.).

In terms of operating and production data, the results achieved by Nuclearelectrica during 2013-2015 attest the rigorous implementation of the above operating measures. According to the international statistics, made independently with reference to all operators of nuclear power plants worldwide, the duty coefficient of the installed power in the commissioning of Units 1 and 2 of Cernavodă CNE in the period 2013-2015 has ranked Romania as being the first in the world in this respect.

*The power production U1 + U2 2013-2015 (MWH)*



The capacity factor U1 + U2 2013-2015 (%)



*Note: Alternative annual reducing of the production namely of the duty coefficient between those units are due to planned shutdowns*

SNN has developed and observed a nuclear safety policy that was approved by CNCAN in order to maintain a constant high level of nuclear safety in all phases of commissioning and operation of nuclear facilities. Application of the nuclear safety policy provides performance bonds for all important activities on nuclear safety in all phases of implementation and operation of nuclear facilities.

In the period 2013-2015 there was no operating event exceeding the level 1 on the International Scale of Nuclear Events, related to the degradation of in depth defense barriers, impact on site and outdoors.



### 5.5 The radioprotection program

The radiation protection program is an essential component of operating under conditions of maximum security nuclear. Thus, the specific activities and their control involve maintaining

the releases of radioactivity in air and water below the regulated level.

The main objective of the control process of the SNN SA personnel exposure to radiation is to maintain the occupational exposures as low as reasonably achieved (ALARA principle). The efficiency of ALARA policy at Cernavodă CNE is tracked through performance indicators, based on the internal and external operating experience, and by their periodic reporting and analysis.

The radioprotection performance indicators measure actually the radioprotection programs efficiency in the optimization of the exposure to radiations of the employees working in the nuclear plant. The Department for Radiation Protection periodically elaborates and submits reports on the evolution of the collective doses and the ALARA performance indicators, increasing the involvement of the nuclear plant's employees in the control and optimization of occupational exposure to ionizing radiation process. Achievement of these objectives is tracked by the ALARA process. The ALARA committees operate with excellent results.

According to the internal data, the radioactive emissions in air and water were well below the authorized limits. No dose limits for the occupational exposed of workers has been exceeded.

Due to the average doses per unit recorded between 2013 - 2015 Cernavodă CNE remained one of the most performant nuclear power plants in the world.

Measurements for 2013, 2014 and 2015 had the following values:

	2013	2014	2015
<b>Actual annual dose for a person belonging to the critical group, due to the radioactive releases in the environment (Unit 1 and Unit 2)</b>	0.00545 mSv*	0.006567 mSv*)	0.005017 mSv*)
<b>Collective dose</b>	509.1 om mSv	592.3 om mSv	388.1 om mSv
<b>Average annual dose for workers with Recordable Dose</b>	0.53 mSv**	0,59 mSv**	0.43 mSv**
<b>Maximum individual dose</b>	5.81 mSv	7.511 mSv	6.632 mSv
<b>Collective internal dose</b>	92.3 om mSv representing 18,1% of the CNE total dose	160.3 om mSv representing 27% of the CNE total dose	36.4 om mSv representing 9.37% of the CNE total dose
<b>Average dose per unit</b>	254.55 om mSv	296.2 om mSv	296.2 om mSv

\*) Compared to the average annual dose received by a member of the public from the natural background which is 2.4 mSv.

\*\*\*) Compared to the actual dose for occupationally exposed workers which is 20 mSv/year and the administrative limit of CNE is 14 mSv/year.

Between 2013-2015 FCN Pitești continued to monitor both the staff and means of transport for the nuclear fuel bundles, in order to assess the dose related, reporting annually on their situation to CNCAN and preparing a report on their transportation (after every transport). Through a program aimed to reduce the limit of the administrative control for the individual dose to which the employees are effectively exposed, we have implemented measures for collective and individual protection against ionizing radiation and we have also provided

efficient periodic training in order to strengthen the nuclear safety culture. All these led to a decrease of the total collective dose and the average annual dose per employee.

## **6. Corporative governance**

Upon SNN stock listed on the Bucharest Stock Exchange (BVB), the company entered a new development stage in terms of implementing good corporate governance practices in accordance with the new requirements relating to quality of a company admitted to trading on the BVB.

The implementation of corporate governance rules ensures a transparent decision-making process, based on clear rules and objectives that enhance shareholders confidence in the company.

In accordance with the objectives set out in the Management Plan on corporative integration of the company after the IPO, the Board of Directors had a relevant role in the harmonization of the working way in SNN with the standards of corporate governance and the transparency and reporting requirements related to the capital market through monitoring the ethical principles, economic efficiency and nuclear safety, assessment, internal audit, measures to avoid the conflict of interest. The company complies with the legal requirements in term of the independence of the Board of Directors members, decisional transparency, reporting, remuneration and audit, according to the table below. Besides, SNN transmitted at the beginning of 2016 a current report on the compliance with the new Code of Corporate Governance of BVB, some measures being currently implemented.

During the mandate of the Board of Directors, the following measures were implemented in matters of corporate governance:

- Selection and appointment of Directors with directors service agreements by applying the provisions of GEO no. 109/2011;
- Formation of the Advisory Committees provided in Article 34 paragraph (1) of GEO 109/2011, namely the Audit Advisory Committee and the Nomination and Remuneration Advisory Committee. Additionally two other committees were constituted in accordance with the specific activity of SNN: the Nuclear Safety Advisory Committee and the Advisory Committee for Strategy, Development and Large Investment Projects;
- Establishing of some internal procedures on reporting and/or briefings based on the implementation of Article 52 of GEO 109/2011;
- Preparation and approval of regulations that manage the implementation of corporate governance standards at all levels of decision making: Rules of Organization and Conduct of the General Meetings of Shareholders; Rules of Organization and Operation of the Advisory Committees; Rules of Corporate Governance; Rules of Organization and Conduct of the Meetings of the Board of Directors;
- Ensuring of the compliance with the transparency and reporting rules by implementing specific procedures;
- Implementation of specific sections on the SNN website dedicated to the Relationships with the Investors;
- Updating the Articles of Incorporation of SNN following the implementation of the corporative governance standards;
- Within SNN organizational structures were created specializing in the relations with the investors and the corporate governance standards implementation were created;
- Dividends payment is made in accordance with the law, the information being published both on the company's website and in the national press for notifying the shareholders;
- Notification of ASF regarding the lists of privileged persons and their updating according the Article 149 of CNVM Regulation no. 1/2006

- Adoption of a declaration of corporate social responsibility which was published on the website SNN.

According to the legal provisions which are applicable to SNN in terms of corporate governance, the Board of Directors has the following compliance level:

LAW 297/2004

Provision	Compliance	Justification	Non-compliance
Article 224 paragraph (3) a) The company must provide all necessary facilities and information to enable the shareholders to exercise their rights, especially: a) to inform the shareholders about the general meetings that scheduled to take place and enable them to exercise their voting rights.	Yes	SNN issues under the law the GMS convening notices at least 30 days before organizing the meeting. Shareholders are informed by the publication of the convening notice in the Official Gazette, in a national newspaper, on the websites of BVB and Financial Surveillance Authorities and on the website of SNN. The rights of shareholders are presented in the Rules of Organization and Conduct of the General Meetings of Shareholders.	
Article 224 paragraph (3) b) inform the public about the allocation and payment of dividends, issuance of new shares including allotment, subscription, renunciation and conversion;	Yes	SNN issues annual information on the site on the payment of dividends and also bulletins to the authorities of the capital market. The information published refers to the manner of collection of dividends, the necessary forms, questions and answers.	
Article 224 par (3) c) appoint as its agent a financial institution through which shareholders may exercise their financial rights, unless the issuer itself provide these services.	Yes	Every year SNN appointed a payment agent. BRD Groupe Societe Generale was the appointed agent in 2013, 2014 and 2015.	
Article 224 paragraph (5) The company must inform immediately, within 48 hours, the public, of any major new developments in its work, which were not disclosed to it and that can lead to changes in share price due to the effect of these events on the financial and economic conditions or on the whole activity of the issuer.	Yes	SNN issues reports on current events of the company activity that may lead to share price changes within the legal terms in section Relationships with Investors/ Current Reports on the SNN site.	
Article 225 paragraph (1) Managers of the companies which are allowed to trading must report as soon as possible any legal document signed by the company with the administrators, significant shareholders and persons related to them, whose cumulated value accounts at least the RON equivalent of EUR 50,000.	Yes	SNN issues current reports on the transactions mentioned in Article 225 paragraph (1) in the section Relationships with Investors/Current reports. The reports contain information about the parties which concluded the legal document, the date and nature of the document, describing the subject matter, the total value of the legal document, the mutual claims, the guarantees submitted, the deadlines and payment modalities.	

<p>Article 227 paragraph (1) The companies admitted to trading on a regulated market will prepare, make available to the public and send to C.N.V.M. and to the market operator reports quarterly, half-yearly and yearly. The reports will be made publicly available, in writing or in any other form approved by C.N.V.M. The Company will issue a press release in a national newspaper, by which the investors will be informed about the availability of these reports. The reports will be submitted for publication within 5 days from the date of approval.</p>	<p>Yes</p>	<p>SNN issues quarterly, half-yearly and yearly activity reports as required by Article 227 paragraph (1). Such reports include individual and consolidated financial statements. The annual reports are issued within 4 months after the fiscal year end. Annual reports are available to the public no later than two months after the end of the reporting period. Before the publication of the quarterly, half-yearly and yearly reports, SNN issues a notice of availability in the national press. The reports are published on the SNN website in the Relationships with Investors/ Financial Results.</p>	
<p>Article 231 paragraph (1) The company admitted to trading on a regulated market must make available to the public, within 4 months after the financial year ends, the audited annual financial statements, together with the annual report.</p>	<p>Yes</p>	<p>SNN issues the annual report and audited annual statements within 4 months after the financial year ends. The reports are published on the SNN website in the Relationships with Investors/ Financial Results section.</p>	
<p>Article 232 The company must inform the public without delay on: a) any major new developments of its business which has not been made public and which could significantly affect its ability to meet its obligations. C.N.V.M. may exempt the Company from this obligation at its request if the disclosure of certain information would prejudice the legitimate interests of the Company; b) contracting of new loans and submitting of the related guarantees required in order to obtain them; c) any change in the securities right resulted mainly from changing the terms of loans or the interest rates; d) changing of the rights attached to the shares, in case the bonds are convertible into shares.</p>	<p>Yes</p>	<p>SNN issues reports according to Article 232, depending on such events happening.</p>	
<p>Article 235 paragraph (1) Members of the Board of Directors of the companies admitted to trading on a regulated market may be elected by cumulative vote. At the request of a significant shareholder, the appointment by this method shall be binding.</p>	<p>Yes</p>	<p>SNN applies the cumulative voting method, as required by law. An example is the cumulative voting in the SNN GMS that took place on 23.12.2013.</p>	



<p>Article 237 paragraph (1) The financial statements (including the consolidated ones) of the companies admitted to trading will be prepared in accordance with the applicable accounting regulations and audited by financial auditors, in accordance with the regulations on the financial audit.</p> <p>(2) The legal representatives of the companies are bound to make available to C.N.V.M., company auditors and/or experts appointed by the court any documents needed to perform their duties.</p> <p>(3) the directors, managers and/or executives are required to submit accurate financial statements and real information on the economic conditions of society to the shareholders.</p>	Yes	<p>SNN applies the International Financial Reporting Standards adopted by the European Union (IFRS-EU) under the International Accounting Standard 34 - "Interim Financial Reporting". The directors and shareholders submit information showing the actual business situation to the shareholders. □Materials related to the general meetings of shareholders can be found on the SNN website in the Relationships with Investors/ Information on shareholders meetings section.</p>	
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GEO 109/2011

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Provision	Compliance	Justification	Non-compliance
<p>Article 28, paragraph (1) In the case of companies managed according to the unified system, the board of directors consists of 3-7 members, natural or legal persons, with experience in improving the performance of companies or autonomous administrations that they have administered or managed.</p>	Yes	<p>SNN Board of Directors consists of 7 members with the necessary experience and training. The CVs of board of directors' members can be viewed on the SNN website in the Relationships with Investors/ Board of Directors.</p>	
<p>Article 28, paragraph (3) At least two of the board members should have a degree in economics or law and at least 5 year experience in economic, legal, accounting, auditing or finance fields.</p>	Yes	<p>4 members of the Board of Directors of SNN are trained and experienced in economic, legal, audit and accounting fields. The other three members are trained and experienced in the field of engineering. This information can be found in the resumes of the board of directors' members published on the SNN website in the Relationships with the Investors/ Board of Directors section.</p>	
<p>Article 28, paragraph (4) In case of</p>	Yes	<p>Currently, within CA SNN there is one</p>	

boards of directors whose number of members comes under paragraph (1), an only member will be a public servant or other type of employee from the tutelary public authority or from other authorities or public institutions.		member from the tutelary public authority.	
Article 28, paragraph (6) Most board of directors' members are non-executive and independent members, according to Article 1382 of Law no. 31/1990, republished, with subsequent amendments.	Yes	4 members of the board of directors are non-executive independent members: Carmen Radu, Sebastian Tcaciuc, Alexandru Sandulescu and Dan Popescu.	
Article 28, paragraph (7) Appointment of the directors is determined by the Articles of Incorporation and may not exceed 4 years. Appointment of the directors who have fulfilled their duties properly can be renewed following an evaluation process, if the Articles of Incorporation does not provide otherwise. The term of the directors appointed due to the termination, in any form, of the mandate of the initial directors is equal to the remaining term of the director administrator who has been replaced.	Yes	The SNN Articles of Incorporation provides that the mandate of the board of directors' members may be renewed with a new 4 year term.	
Article 29 paragraph (2) The candidates proposed by the Board of Directors of the company are evaluated and selected in advance and recommended by the Nomination Committee of the Board. The Nomination Committee consists of non-executive directors, of which at least one is independent. The Board of Directors may decide and determine that the nomination committee should be assisted, within the assessment process, by an independent expert, natural person or legal entity specialized in recruiting human resources whose services are contracted by the company under the law.	Yes	The candidates proposed for being members of the Board of Directors have been assessed by the Committee for Appointment and Remuneration which is formed by non-executive members out of which one is independent. The members of the Committee for Appointment and Remuneration are: Carmen Radu (independent non-executive member), Bogdan Stănescu (non-executive member) and Alexandru Alexe (non-executive member).	
Article 29 paragraph (5) The selection of candidates must be made by an independent expert, natural person or legal entity specialist in the recruitment of human resources, in case of public companies meeting the following conditions: a) having a turnover in the last financial year upper to the equivalent in RON of EUR 7,300,000;	Yes	SNN contracted the services of an independent expert specialist in human resources recruitment for the assessment of the reports submitted by those members of BoD for whom the renewal of the directors' service agreement is proposed.	

b) having at least 50 employees.			
<p>Article 33 A natural person may exercise simultaneously at most 3 director's offices and/or be a member of the supervisory board in public companies or companies whose registered offices are in Romania. This provision applies equally to natural persons who are directors or members of the supervisory board, and to those natural persons who are representatives of a legal entity which is director or member of the supervisory board.</p> <p>Meanwhile, in Law 31/1990 Article 153 ^ 6 it is provided that</p> <p>(1) A natural person may exercise simultaneously at most 5 director's mandates and/or be a member of the supervisory board in public companies or companies whose registered offices are in Romania. This provision applies equally to natural persons who are directors or members of the supervisory board, and to those natural persons who are representatives of a legal entity which is director or member of the supervisory board.</p>	Yes		
<p>Article 34, paragraph (1) Within the Board of Directors or, if applicable, within the supervisory board the nomination and remuneration committee and the audit committee are constituted. The articles of association may establish the possibility of creating other advisory committees.</p>	Yes	Within SNN the Audit Advisory Committee and the Nomination and Remuneration Consultative de Audit Committee and other two committees have been constituted by the articles of association of SNN. The members of the advisory committees are presented on the SNN website, in Relationships with Investors/Corporate Governance section.	
<p>Article 34 paragraph (2) The Nomination and Remuneration Committee formulates proposals for the positions of directors/members of the Supervisory Board, prepares and proposes to the Board of Directors/Supervisory Board the procedure for selection of candidates for the positions of director or, as appropriate, member of the board of management and other functions, recommend to the Board of Directors or, where appropriate, to the Supervisory Board the candidates for the positions listed, formulates proposals for the remuneration of directors/management members and other executive positions.</p>	Yes	These duties are contained in the Rules of Organization and Operation of the advisory committees available on the SNN website in the section Relationships with Investors/Corporate governance.	

<p>Article 34 paragraph (3) The Audit Committee carry out the duties stipulated in Article 47 of the Government Emergency Ordinance no. 90/2008, approved with amendments by Law no. 278/2008, as further amended and supplemented.</p>	<p>Yes</p>	<p>The duties of the audit committee are contained in the Rules of Organization and Operation of the advisory committees available on the SNN website in the section Relationships with Investors/ Corporate governance.</p>	
<p>Article 34, paragraph (4) If public companies are managed in unitary system the committees referred to in paragraphs (2) and (3) are made up of non-executive directors. At least one member of each committee is independent.</p>	<p>Yes</p>	<p>The two committees are made up of non-executive members. At least one member of each committee is independent. The audit committee's members are: Carmen Radu (independent non-executive member), Sebastian Tcaciuc (independent non-executive member) and Alexandru Alexe (non-executive member). The nomination and remuneration committee's members are: Bogdan Stanescu (non-executive member), Alexandru Alexe (non-executive member) si Carmen Radu (independent non-executive member).</p>	
<p>Article 37 (1) Remuneration of the Board of Directors' members and, when applicable, of the members of the supervisory board is set by the general meeting of shareholders in the structure and limits provided in paragraphs (2) and (4). (2) The remuneration of non-executive members of the board of directors or of the supervisory board consists of a monthly fixed salary and a variable component. The fixed salary cannot exceed twice the average for the last 12 months average gross salary per month for the work done according to the core activity recorded by the company, at the class level according to the classification of activities in the national economy, made public by the National Statistics Institute prior to the appointment. The variable component is determined based on the financial performance and non-financial indicators negotiated and agreed by the general meeting of shareholders different from those approved for the executive directors, determined in compliance with the methodology set out in Article 31 paragraph (5) that also consider long-term sustainability of the company and ensuring observance of good governance principles. The amount of the variable component of non-executive members</p>	<p>Yes</p>	<p>Remuneration of the Board of Directors' members and the form of the directors' services agreement were approved by the General Meeting of Shareholders by the decision no. 20/22.08.2013 regarding the remuneration of the members of BoD (fixed salary and variable component). The general limits for the remuneration of the directors appointed according to Article 143 of the Companies Law no. 31/1990 were also approved. The remunerations of executive and non-executive members comply with the legal provisions, such information being provided in the SNN remuneration policy published on the website. The variable component is granted according to the accomplishment level of the performance indicators assumed by each BoD member when signing director services agreement and identified in the management plan. After approval of SNN annual budget, the shareholders approved the changing of appendixes 1 and 1.1 to the directors' services agreements regarding the levels of the performance indicators and criteria that were harmonized with the provisions of the annual income and expenditure budget. According to Article 227, paragraph (1) of Law 297/2014, SNN submitted to the approval of the shareholders some quarterly, half-yearly and annual reports that included the degree of fulfillment of the performance</p>	

<p>cannot exceed a maximum of 12 monthly fixed salaries.</p> <p>(3) The remuneration of the executive members of the board of directors or of the supervisory board consists of a monthly fixed salary and a variable component. The fixed salary cannot exceed six times the average for the last 12 months average gross salary per month for the work done according to the core activity recorded by the company, at the class level according to the classification of activities in the national economy, made public by the National Statistics Institute prior to the appointment. The variable component is determined based on the financial performance and non-financial indicators negotiated and agreed by the general meeting of shareholders different from those approved for the executive directors, determined in compliance with the methodology set out in Article 31 paragraph (5).</p> <p>(4) The variable remuneration component for the Board of Directors' members or for the members of the Supervisory Board is reviewed annually, depending on the level of achievement of the objectives contained in the plan of management and the degree of fulfillment of the performance financial and non-financial indicators approved by the General Meeting of Shareholders attached to the directors services agreement.</p> <p>(5) The General Assembly of Shareholders will be sure when setting the fixed monthly emoluments of each member of the board of directors or, where appropriate, of each member of the supervisory board, determined under paragraphs (2) and (4), that it is justified in relation to the specific duties, the duties in the advisory committees, the number of sessions, objectives and performance criteria set out in director services agreement.</p>		<p>indicators. Moreover, the half-yearly and annual simplified and consolidated financial statements have been audited by the SNN independent auditor.</p>	
<p>Article 38, paragraph (1) The executive officers' remuneration is established by the Board of Directors and it cannot exceed the remuneration level set for the executive members of BoD. It is the only remuneration form</p>	<p>Yes</p>	<p>Remuneration of the executive officers is set by the BoD which also approves the limits to the fixed salary and to the variable component in relation to the performance indicators identified in the executive officers agreements and to the annual income and</p>	

<p>for the executive officers who are directors, too.</p> <p>(2) The remuneration consists of a fixed monthly salary which is set within the limits provided by Article 37, paragraph (3) and a variable component consisting in a participation share to the net profits of the company, granting of shares, stock-options or an equivalent scheme, a pension scheme or other form of remuneration based on the performance indicators.</p> <p>(3) The financial and non-financial performance indicators are items according to which the variable component of remuneration for the Company's executive officers is determined.</p> <p>(4) The remuneration of the management staff's members is determined by the supervisory committee. The provisions provided in paragraphs (1) and (2) are applicable to the management staff's members, too.</p>		<p>expenditure budgets. The performance indicators for executive officers are included in the management plan for executive officers approved by the decision of BoD no. 18/03.07.2013, plan which develops and completes the management plan and included the performance indicators and criteria for the executive officers/executive directors.</p> <p>The level of accomplishment of the performance indicators for the executive officers is submitted to be approved by the BoD quarterly, half-quarterly and annually.</p>	
<p>Article 39 (1) The remuneration and benefits provided by law or by the agreement to the mandate directors and executive officers/ managers within the unitary system, or to the members of the supervisory board and management staff's members within the dualist system will be recorded in the annual financial statements and annual report submitted by the Nomination and Remuneration Committee, the BoD or the Supervisory Board and will include the remuneration and other benefits provided by the company and by its subsidiaries.</p> <p>(2) Payment of professional liability insurance can be provided by the public company. It is not part of remuneration and will be mentioned in the agreement. In the agreement other benefits will be also mentioned, such as coverage of representation expenses, transportation, daily allowance, but without those mentioned to be limitative.</p> <p>(3) The policy and criteria applied for the remuneration of directors and managers, within the unitary system, or for the remuneration of the</p>	<p>Yes</p>	<p>The Advisory Committee and the Remuneration and Nomination Committee formed at the level of SNN prepare annual reports containing information on the remuneration and benefits of BoD members under the law. Both remuneration and benefits are recorded in the annual financial statements submitted for approval to the General Meeting of Shareholders together with the report of the Nomination and Remuneration Committee.</p> <p>According to the Articles of Association, the BoD members receive professional insurance policies D&amp;O type, which are distinctly mentioned in the agreement they conclude with the Company. The directors' services agreements also contain information about the benefits granted by law. The directors' services agreement form can be found on the SNN website in the Relationships with Investors/ Corporate Governance section.</p> <p>The remuneration policy of the members of the BoD is also published on the SNN website in the same section above-mentioned.</p>	

<p>members of the supervisory board and management staff's members, within the dualist system, and the level of remuneration and other benefits offered to each director and manager are disclosed on the internet page of the public company, by the care of the BoD president or the one of the supervisory board.</p>			
<p>Article 51 paragraph (1) A public company, by the care of the BoD president or the one of the supervisory board must publish on its website and make available to the shareholders or partners and also to the public, the following documents and information:</p> <ul style="list-style-type: none"> <li>a) decisions of general meetings of shareholders, within 48 hours after the date of the meeting;</li> <li>b) the annual financial statements within 48 hours after the approval;</li> <li>c) bi-annual accounting reports, within 45 days after the end of the semester;</li> <li>d) the annual audit report;</li> <li>e) list of directors and managers, the CVs of BoD members and managers or, if applicable, the CVs of the members of the Supervisory Board and management staff's members and their remuneration level;</li> <li>f) reports of the BoD or, where appropriate, of the supervisory board;</li> <li>g) the annual report on remuneration and other benefits granted to directors and managers, members of the Supervisory Board and management staff's members during the financial year;</li> <li>h) Code of Ethics, within 48 hours after its adoption, i.e. on May 31 of each year if it is revised.</li> </ul>	<p>Yes</p>	<p>SNN issues all this information on its website:</p> <ul style="list-style-type: none"> <li>a) decisions of general meetings of shareholders, within 48 hours after the date of the meeting in the section Relationships with Investors/ Information regarding the GMS;</li> <li>b) the annual financial statements in the section Relationships with Investors/ Financial Results;</li> <li>c) bi-annual accounting reports, in the section Relationships with Investors/ Financial Results;</li> <li>d) the annual audit report in the section Relationships with Investors/ Financial Results;</li> <li>e) list of directors and managers, their CVs their remuneration level in the section Relationships with Investors/ BoD and Corporative Governance;</li> <li>f) reports of the BoD in the section Relationships with Investors/ Financial Results;</li> <li>g) the annual report on remuneration and other benefits granted to directors and managers in the section Relationships with Investors/ Financial Results being a component of the directors' annual report;</li> <li>h) Code of Ethics, in the section About us/ Public Information.</li> </ul>	
<p>Article 51, paragraph (2) The financial statements, half-yearly accounting reports, BoD reports or, when applicable, the supervisory board's reports and the annual audit report are kept on the website of the public company over a period of at least 3 years.</p>	<p>Yes</p>	<p>The annual financial statements, BoD reports and audit reports relating to the period 2010-2016 can be found on the SNN site in the Relationships with Investors section.</p>	

<p>Article 52, paragraph (1) The Board of Directors or, if applicable, the supervisory board convene the general meeting of shareholders to approve any transaction if it has, individually or in a series of transactions concluded, a value greater than 10% of the net value of the public company's assets or greater than 10% of the turnover of public company according to the latest audited financial statements, with the directors or managers, or, where appropriate, with the members of the supervisory board or the members of the executive board, with the employees, with the shareholders controlling the company or with a company controlled by them.</p> <p>(2) The obligation of convoking the GMS is incumbent to the BoD or to the supervisory board and for transactions concluded with the husband/ wife, relatives or in-laws to the fourth degree of the persons referred to in paragraph (1).</p> <p>(3) The Board of Directors or, if applicable, the supervisory board inform the shareholders in the first general meeting of shareholders following the conclusion of the legal document on any transaction entered into by the public company with:</p> <p>a) the persons mentioned in paragraphs (1) and (2) if the transaction amount is below the level set in paragraph (1);</p> <p>b) another public company or with the tutelary public authority, if the transaction has a value, individually or in a series of transactions, at least equal to the RON equivalent of EUR 100,000.</p> <p>(5) The CEO or, where appropriate, the executive board, submit to the approval of the BoD or the supervisory board any transaction classified in paragraph (1) if, individually or in a series of transactions, it amounts to at least the RON equivalent of EUR 50,000. In deciding on the transaction, the board may order an independent expert to verify whether the transaction is fair in relation to other similar offers on the</p>	<p>Yes</p>	<p>The Board of Directors submit to the vote of shareholders any transaction with the or directors or executive officers, employees, shareholders holding control of the company or a company controlled by them if such transactions, individually or in a series of concluded transactions, have a value which is greater than 10% of net assets of the public company or greater than 10% of the turnover of the company according to the latest audited financial statements.</p> <p>Besides, the BoD submits to the shareholders within the general meetings all transactions with the affiliated persons mentioned above. Any transaction with the related parties that exceeds individually or in a series of transactions the value of 50,000 Euro is subject to approval by the Board of Directors.</p> <p>The GMS information reports can be found on the SNN website in the Relationships with the Investors/ Information regarding the GMS section. The annual and bi-annual reports also contain the list of transactions concluded under Article 51. The reports include the following information: the parties who signed the legal document, date and nature of the document, description of the subject matter, the total value of the legal document, mutual claims, guarantees set, deadlines and payment conditions, and other essential and significant issues in contact with these legal acts. In such reports any other information necessary to determine the effects of these legal documents on the financial status of the company will be mentioned.</p>
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<p>market.</p> <p>(6) In the annual and bi-annual reports of the Board of Directors or, if applicable, the executive board, the legal documents concluded as referred to paragraphs (1) and (3) will be mentioned in a special chapter. The following issues will be mentioned: the parties who signed the legal document, date and nature of the document, description of the subject matter, the total value of the legal document, mutual claims, guarantees set, deadlines and payment conditions, as well and other essentials and significant issues about these legal documents. Any other information required for determining the effects such legal documents may have upon the financial status of the Company shall be mentioned in those reports.</p>			
<p>Article 55 (1) The Board of Directors or, if applicable, the supervisory board of the public company submits half-yearly to the general meeting of shareholders, a report on the work of administration, which includes information relating to the execution of the directors services agreements, respectively those of the executive board members, details of operational activities, the company's financial performance and the company's half-yearly accounting reports.</p>	<p>Yes</p>	<p>The Board of Directors submit half-yearly to the general meeting of shareholders, a report on the work of administration, which includes information relating to the execution of the directors services agreements, respectively those of the executive board members, details of operational activities, the company's financial performance and the company's half-yearly accounting reports.</p> <p>The annual reports can be found on the SNN website in the Relationships with Investors/ Financial results section.</p>	
<p>Article 55 paragraph (2) The Nomination and Remuneration Committee of the Board of Directors or, if applicable, of the supervisory board issues an annual report on the remuneration and other benefits granted to directors and executive officers, members of the Supervisory Board and Executive Board in the financial year.</p> <p>(3) The report referred to in paragraph (2) is submitted to the general meeting of shareholders which approves the annual financial statements. The report is available to the shareholders according to Article 39 paragraph (1) and contain at least information concerning: a) structure of remuneration with explanation of the variable and fixed components; b) performance criteria underlying the</p>	<p>Yes</p>	<p>The Advisory Nomination and Remuneration Committee of the Board of Directors makes an annual report on the remuneration and other benefits granted to directors under the law. The report is attached to the annual report of the directors and includes all information required by Article 55 paragraph (2). Such reports can be viewed on the SNN website in the Relationships with Investors/ Financial results section.</p>	

<p>variable remuneration component, the relationship between the achieved performance and the remuneration;</p> <p>c) considerations justifying any annual bonus or non-monetary benefits scheme;</p> <p>d) any additional or early retirement schemes;</p> <p>e) information on the duration of the agreement, the notice period negotiated, the amount of damages for unjust dismissal.</p>			
<p>Article 56. The Board of Directors or, if applicable, the supervisory board issues an annual report on the activity of the public company, no later than May 31 of the year following the one the report is related to. The report is published on the website of the public company.</p>	<p>Yes</p>	<p>The annual reports of the Board of Directors are submitted to the shareholders' approval usually in late April of the following year and published on the SNN site in the Relationships with Investors/ Financial results section.</p>	
<p>Article 57 (1) The Board of Directors or the CEO, if the executive management is carried by the executive officers, or, if applicable, the executive board must submit to the Ministry of Finance and, where appropriate, to the tutelary public authority or to the shareholders owning more than 5% of the share capital, quarterly and whenever required, substantiations, analyses, statements, reports and any other information related to the public company activities, in the form and terms established by orders or letters of beneficiaries.</p> <p>(3) The performance indicators monitored at the public companies are established by the tutelary public authority in the directors' services agreements.</p> <p>(4) The structures of corporate governance within the public company report the monitoring indicators set in the directors' services agreements, quarterly, until the 20<sup>th</sup> day of the month following the previous quarter.</p>	<p>Yes</p>	<p>The performance indicators are monitored by the tutelary public authority appointed in the directors' services agreements. The Board of Directors shall submit to the Ministry of Finance and, where appropriate, to the tutelary public authority or to the shareholders owning more than 5% of the share capital, quarterly and whenever required, substantiations, analyses, statements, reports and any other information related to the public company activities, in the form and terms established. The structures of governance within SNN reports the monitoring indicators set in the directors' services agreements, quarterly, until the 20<sup>th</sup> day of the month following the previous quarter.</p>	

LAW 31/1990

Provision	Compliance	Justification	Non-compliance
<p>Article 105<sup>1</sup>. In the annual reports attached to the financial statements the Board of Directors will include the following information about the acquisition or alienation by the company of its own shares:</p> <p>a) the reasons for the acquisitions made during the financial year;</p> <p>b) the number and value of the shares acquired and alienated during the financial year and the percentage of the subscribed capital which they represent;</p> <p>c) in the case of acquisition or alienation for a pecuniary interest, the value of the shares;</p> <p>d) the number and nominal value of all shares acquired and held by the company and the percentage of the subscribed capital which they represent.</p>	Yes	<p>SNN includes some information about the acquisition or alienation by the company of its own shares, if necessary, in the annual reports attached to the financial statements. During the office term of the current members of the Board of Directors two capital increases occurred, one in cash and one in kind, information that was included in the related annual reports.</p>	
<p>Article 117 (1) The General Assembly is convened by the Board of Directors or by the executive board whenever necessary.</p> <p>(2) The term of assembly cannot be less than 30 days since the publication of the convocation in the Official Gazette, Part IV.</p> <p># M9</p> <p>(3) The convocation shall be published in the Official Gazette of Romania, Part IV, and in one of the major newspapers in the locality where the company's registered office is located or the nearest locality.</p> <p>(6) The convocation will include the date and place of the meeting and the agenda, expressly mentioning all matters that will be subject to the Assembly's debates. If the agenda includes the appointment of directors or members of the supervisory board, the notice shall mention that the list containing the information about the name, domicile and professional qualifications of the persons proposed for the position of director is available to shareholders and can be referred to</p>	Yes	<p>SNN issues the GMS convening notices at least 30 days prior to the organization of the General Assembly in the Official Gazette, Part IV, in a national newspaper, on the SNN website and on the platforms of Bucharest Stock Exchange and the Financial Supervisory Authority.</p> <p>The GMS convening notices contain information about the date, place and agenda of the meeting. In cases where the agenda contained many issues related to the directors' appointment (GMSs occurred on 23.12.2013 and 29.04.2015) SNN published on the site the list with the candidates proposed containing information about the name, domicile and professional qualification of the persons proposed as director.</p> <p>If the agenda of the GMS included proposals to amend the Articles of Association, such proposals were detailed in the convening notice.</p>	

<p>and completed by them.  (7) When the agenda includes proposals to amend the articles of association, the notice shall include the full text of such proposals.</p>			
<p>Article 140<sup>2</sup> (1) The Board of Directors may create advisory committees made up of at least two board members in charge with conducting investigations and making recommendations for the board, in areas such as audit, remuneration of executive officers, directors, auditors and staff or nomination of candidates for the various positions. The Committees will submit to the Board on a regular basis, reports on their activities.  (2) At least one member of each committee created under paragraph (1) shall be an independent non-executive director. The audit committee and the remuneration one shall consist only of non-executive directors. At least one member of the audit committee must have experience in applying the Accounting Principles or in financial auditing.</p>	<p>Yes</p>	<p>Within the Board of Directors of SNN 4 advisory committees were constituted, two of them (the Audit Advisory Committee and the Advisory Committee for Appointment and Remuneration) having duties in fields such as audit, remuneration of directors, auditors and staff or nomination of candidates for various executive positions.  1. Audit Committee  Members: Gabriel Sebastian Tcaciuc, Alexandru Alexe, Carmen Radu  2. Advisory Committee for Appointment and Remuneration  Members: Alexandru Alexe, Carmen Radu, Nicolae Bogdan Codrut Stanescu    At least one member of each committee is an independent non-executive director (Mrs. Carmen Radu and Mr. Tcaciuc). Mrs. Carmen Radu has experience in the field of the financial audit.</p>	
<p>Article 153<sup>16</sup>  (1) A natural person may exercise simultaneously up to 5 mandates as a member of the Board of Directors and/or supervision board in companies whose registered offices are in Romania. This provision applies equally both to a natural person who is a director or member of the supervisory board, and to a natural person who is a permanent representative of a legal entity which is a director or member of the supervisory board.</p>	<p>Yes</p>	<p>No SNN director may exercise simultaneously more than 5 mandates as a member of the Board of Directors and/ or supervision board.  Information on the functions performed by the BoD members can be found on the SNN website in the Relationships with Investors/ Board of Directors section.</p>	

<p>Article 153 ^ 18 (1) Remuneration of BoD members or of the Supervisory Board ones is established by the articles of incorporation or by the decision made by the General Meeting of Shareholders.</p> <p>(2) The additional remuneration of the BoD or the Supervisory Board members in charge with specific functions within the body they belong to and the remuneration of directors, in the unitary system, or the members of the executive board, in the dual system, are determined by the Board of Directors, respectively the Board of Supervisors. The articles of incorporation or the general shareholders meeting set the general limits of all remunerations granted in this way.</p> <p>(3) All benefits may be granted only according with paragraphs (1) and (2).</p> <p>(4) The General Assembly, the BoD or the Board of Supervisors and, if applicable, the remuneration committee shall set the remunerations or other benefits, shall ensure that they are justified in relation to the specific duties those persons are in charge with and to the economic conditions of the company.</p>	Yes	<p>The remuneration of the BoD members is determined by decisions of the general meeting of shareholders, in accordance with Article 37 of GEO 109/2011 as amended and supplemented. Directors' remuneration is approved by the Board of Directors according to the Articles of Association of SNN. The Nomination and Remuneration Advisory Committee performs an annual analysis of the achievement of the performance indicators linked to granting of the variable remuneration component and other benefits in accordance with the law. The Annual Report of the Remuneration and Nomination Advisory Committee is published on the SNN website within the annual report in the section Relationships with Investors/Financial Results.</p>	
<p>Article 185 paragraph (2) The Board of Directors or the executive board of the parent company, as defined by the applicable accounting regulations, must submit to the territorial units of the Ministry of Finance copies of the consolidated financial statements (in this regard the provisions of paragraph (1) will be properly applied).</p>	Yes	<p>SNN submitted to the local offices of the Ministry of Public Finance, on behalf and for the Board of Directors, copies of the consolidated financial statements.</p>	

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[Regulations 1/2006 on issuers and operations with securities](#)

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Provision	Compliance	Justification	Non-compliance
<p>Article 113 Companies whose shares are admitted to trading on a regulated market will prepare, transmit and make public the following reports:</p>	Yes	<p>SNN issues current reports for informing the shareholders about all these articles depending on the events occurred within the activity of the company. No</p>	

A. Reports on privileged information, provided in Article 226 paragraph (1) of Law no. 297/2004:

a) decision of the board of directors/ other bodies, for convening the general meeting of shareholders or a BoD meeting to deliberate upon exercising the duties delegated by the EGMS in accordance with Article 114 of Law no. 31/1990;

b) convening the General Meeting of Shareholders;

b^1) since there is no quorum or majority, failure to adopt a resolution by the general meeting of shareholders or the board of directors/ executive board appointed, in accordance with Article 114 of Law no. 31/1990, republished, with subsequent amendments;

c) decisions of general meetings of shareholders or board of directors, made in exercising the duties delegated by the EGM in accordance with Article 114 of Law no. 31/1990;

d) changes in the control exercised upon the Company, including changes in control of the entity that controls the company;

e) changes in the management of the Company (those changes must be recorder at the Trade Register Office or become effective);

f) replacement of the auditor of the company and the causes that led to that replacement (that change must be recorder at the Trade Register Office or become effective);

g) the termination or reduction of the contractual relations that have generated at least 10% of the company's revenue in the previous fiscal year;

h) publication of the merging/ dividing project in the Official Gazette of Romania;

i) changes in the characteristics and/or rights attaching to the various classes of securities including changes in the rights attaching to derivative instruments issued by the issuer that give rights over shares issued by it (those changes must be recorder at the Trade Register Office or become effective);

j) litigations that involves the

shareholder or institution on the Romanian capital market (FSA and BVB) and any objection against the current reports issued by SNN in terms of legislation applied, form, completeness and correctness thereof. SNN uses the forms for current reporting identified in the Regulations 1/2006.

The current reports are available on the SNN website in the section Relationships with Investors/Current reports.

company;  
 k) initiating a procedure for termination or resumption of activity, initiation and completion of the procedure of dissolution, reorganization or bankruptcy;  
 l) off-balance sheet operations with significant effects on the financial results of the issuer.

Article 113 letter B a) changes in the obligations of companies that can significantly affect the activity or assets of the company;  
 b) Substantial assets acquisitions or alienation. The term "acquisition" does not refer only to purchases, but includes also purchases as leasing or any other method by which assets can be achieved. Similarly, the term "alienation" refers not only to the sale, but may also include leases, exchange contracts etc., and disposal, abandonment or destruction of assets. Acquisitions or disposals of assets will be considered substantial if those assets represent at least 10% of the Company's total assets either before or after the respective transaction;  
 c) the agreements concluded by the company which value amounts to more than 10% of the net turnover recorded in the last annual financial statements or agreements concluded outside of the current activity of the company;  
 d) development of a product or introduction of a new service or development process affecting the Company's resources.

Yes	<p>SNN issues current reports for informing the shareholders about all these articles depending on the events occurred within the activity of the company. No shareholder or institution on the Romanian capital market (FSA and BVB) and any objection against the current reports issued by SNN in terms of legislation applied, form, completeness and correctness thereof. SNN uses the forms for current reporting identified in the Regulations 1/2006.</p> <p>The current reports are available on the SNN website in the section Relationships with Investors/Current reports.</p>	

<p>Article 113 letter C Quarterly Reports</p> <p>(1) The Company prepares a quarterly report for the first and the third quarters which will be available to the public and will be submitted to C.N.V.M. and to the regulated market operator, no later than 45 days after the end of the reporting period. It includes:</p> <p>a) The profit and loss account prepared in accordance with the applicable regulations, as well as the economic and financial indicators mentioned in Annex. 30 B. The financial statements will be accompanied by the financial auditor's report if they were audited. If the financial information has not been audited, the issuer shall specify expressly this issue in the quarterly report;</p> <p>b) Optionally, the BoD report, which contains information from Annex 30 A.</p> <p>(2) The quarterly report is made available to the public both as a printed copy, upon request, as well as in electronic form on the issuer's website. The company issues a press release in a national newspaper, by which the investors are informed about the availability of these reports, and on the site where these reports can be obtained. The press release is transmitted simultaneously both to C.N.V.M. and the operator of the regulated market where the securities/ real estate values are traded.</p> <p>(3) The quarterly reports remain publicly available for at least five years.</p>	<p>Yes</p>	<p>The SNN quarterly reports are issued within 45 days after the end of the reporting period, according to the financial schedule issued by SNN in the beginning of each year. Such reports contain the information provided in Article 113 letter C paragraphs (a) and (b) of Rules 1/2006. The quarterly statements are not audited by an independent auditor as mentioned in the report.</p> <p>SNN issues a press release in a national newspaper, regarding the availability of the quarterly report and where such report can be got from. The quarterly reports issued by SNN are available on the company's website in the section Relationships with Investors/ Financial Results.</p>	
<p>Article 113 letter D. Half-yearly reports</p> <p>(1) The Company prepares a report for the first half-year which will be available to the public and will be submitted to C.N.V.M. and to the regulated market operator, no later than 2 months after the end of the reporting period. It includes:</p> <p>a) bi-annual accounting reporting developed in accordance with the applicable regulations;</p> <p>If the issuer is required to prepare</p>	<p>Yes</p>	<p>The SNN half-yearly reports are issued within 3 months after the end of the reporting period. Such reports meet the criteria provided in Article 113 of Rules 1/2006. The half-yearly reports are audited by the SNN independent financial auditor and the audit reports are issued on the SNN website.</p> <p>SNN issues a press release in a national newspaper, regarding the availability of the half-yearly report and where such report can be got from. The half-yearly reports issued by the BoD are available</p>	



consolidated accounts, the bi-annual accounting report shall be drawn up according to the international accounting standards applicable to the interim financial statements adopted pursuant to the procedure set out in Article 6 of EC Regulation no. 1606/2002.

If the issuer is not required to prepare consolidated accounts, the bi-annual accounting report must include the balance sheet and the simplified profit and loss statements and the notes attached thereto. In preparing the balance sheet and the simplified profit and loss statements the issuer must comply with the same principles as the ones applied for the preparation of the annual financial statements.

b) the BoD report containing the information specified in Annex. 31;

c) the statement of the persons in charge of the issuer, whose names and positions will be specified explicitly, affirming that according to their knowledge, the half-yearly financial accounting statement which has been produced in accordance with the applicable accounting standards provides a fair, accurate and real image of assets, liabilities, financial position, profit and loss account of the issuer or its subsidiaries included in the consolidation process of the financial statements and that the report under letter b) shows correctly and completely the information about the issuer;

d) the financial auditor's report and the latter's comments, if the financial statements were audited.

If the financial statements have not been audited, the issuer shall specify it expressly in the quarterly report.

(2) The half-yearly report is made available to the public both as a printed copy, upon request, as well as in electronic form on the issuer's website. The company issues a press release in a national newspaper, by which the investors are informed about the availability of these reports, and on the site where these reports can be obtained. The press release is transmitted simultaneously both to C.N.V.M. and the operator of the

on the SNN website in the section Relationships with Investors/ Financial Results where they are kept at least 3 years.

<p>regulated market where the securities/real estate values are traded.  (3) The half-yearly reports remain publicly available for at least five years.</p>			
<p>Art 113 letter E. Annual Reports  (1) The Company prepares annual reports which will be available to the public and will be submitted to the operator (by the A.S.F. system) no later than 4 months after the end of the reporting period. Such reports include:  a) The annual financial statements audited by an auditor, prepared in accordance with the applicable accounting regulations, approved by the competent statutory body;  b) The report of the BoD or an equivalent competent authority that will contain information equivalent to those set out in Annex. 32;  c) The statement of the persons in charge of the issuer, whose names and positions will be specified explicitly, affirming that according to their knowledge, the half-yearly financial accounting statement which has been produced in accordance with the applicable accounting standards provides a fair, accurate and real image of assets, liabilities, financial position, profit and loss account of the issuer or its subsidiaries included in the consolidation process of the financial statements and that the report under letter b) shows correctly and completely the information about the issuer;  d) It includes a correct analysis of the development and performance of the issuer and a description of the principal risks and uncertainties specific to the activity;  e) The financial auditor's report, signed by the person or persons responsible for auditing the financial statements and the full comments made by the auditor.  (2) If the issuer is required to prepare consolidated accounts, the audited financial statements mentioned in paragraph (1) letter a) shall contain such consolidated accounts according to the applicable accounting rules, as well as the annual accounts of the parent-company, prepared according</p>	<p>Yes</p>	<p>SNN issues annual activity reports and submit them to the approval of GMS according to the requirements provided by the law within 4 months after the end of the reporting period.  Such reports meet the criteria provided in Article 113 letter E.  Such reports are available on the SNN website in the section Relationships with Investors/Financial Results.</p>	

<p>to the national regulations applied in the member state where the parent-company is registered. If the issuer is not required to prepare the consolidated accounts, the audited financial statements mentioned in paragraph (1) letter a) shall contain the statements prepared according to the national regulations applied in the member state where the parent-company is registered.</p>			
<p>Article 113 letter G. Other reports  (1) Prior to the date on which dividends are paid, the company is required to publish a press release in a national newspaper stating at least:  a) The amount of the dividend per share, <i>ex date</i>, the registration date and the dividend payment date set by the General Meeting of Shareholders;  b) The method of payment and the ID information of the agent that is going to make the payment.</p>	<p>Yes</p>	<p>SNN issues press releases relating to the payment of dividends in the media, on the SNN website and in a national newspaper. The releases shall contain at least the information required by Article 113 letter G of Rules 1/2006.</p>	
<p>Article 113 paragraph (6) At the end of each semester, the auditor will review the transactions reported under Article 225 of Law no. 297/2004 and will prepare a report that will indicate if the price corroborated with the rights and obligations of the parties is fair in relation to other offers on the market. If transactions are not made at the market prices, the report shall specify both the reasons that led to this derogation and the pricing policies. Within 30 days after the reporting period ends the issuer shall transmit the report to the market operator and to FSA.</p>	<p>Yes</p>	<p>At the end of each semester, SNN issues on its website and transmits to the capital market authority an independent limited ensuring report upon the information contained in the current reports prepared by the Company according to Article 225 of Law no. 297/2004 and to CNVM Regulations no. 1/2006 which determines if the transactions were made at the market's price. The conclusion of those reports indicate that the transactions were made according to Article 113 letter G paragraph (6) of Regulations no. 1/2006. The limited ensuring reports are made available on the SNN website in the section Relationships with Investors/ Current Reports.</p>	

## 7. Activity within the committees established at BoD level

### 7.1. Nomination and Remuneration Committee

The Nomination and Remuneration Committee (hereinafter called “CNR”) within the BoD of Societatea Nationala Nuclearelectrica S.A. (hereinafter called “SNN”) was incorporated by the Decision of the BoD no. 7/26.04.2013, based on the provisions of art. 140<sup>2</sup> of the Law no. 31/1990 republished, of the companies, with the up to date amendments and additions and based on the provisions of art. 34 of the GEO no. 109/2011 regarding corporative governance of public companies („GEO no. 109/2011”), corroborated with the provisions of art. 19 paragraph 2 of the updated Articles of Incorporation of SNN SA.

CNR is a permanent committee with a consulting function, directly subordinated to the SNN BoD, with evaluation, consulting and proposal drafting attributions in the field of nominating the members of the BoD, the company’s managers which are delegated leadership attributions, as well as their remuneration according to the current legal regulations. CNR develops investigations and drafts recommendations for the BoD regarding the administrators’, managers’ and personnel’s remuneration, or candidate nominations for different leadership positions.

According to the Regulation of the Nomination and Remuneration Committee, the committee’s members:

- Draft proposals for the administrator position;
- Recommend candidates to the BoD for the manager and other leadership positions;
- Draft recommendations regarding the level o variable constituents for remunerating the BoD members, thoroughly motivated, drafted based on a compared study on the remuneration conditions for the similar positions in the company, from the same field of activity, with a majority or full state capital from Romania and from other European states; as the case may be, in compliance with this attribution, the Nomination and Remuneration Committee may contract the services of an expert in human resources recruiting, according to the provisions of GEO no. 109/2011 regarding corporative governance of public companies;
- Coordinate the process of appointing the BoD members, in case proposals to the General Meeting of Shareholders for the administrator position are submitted by the members of the BoD;
- Recommend to the BoD and/or to the GMS candidates proposed for the administrator position as well as for the vacant administrator positions;
- Propose to BoD the selection procedure of candidates for the manager position and/or, as the case may be, for other leadership positions;
- Draft proposals regarding managers’ remuneration and of other leadership positions appointed by the BoD;
- Evaluate the amount of professional competencies, knowledge and experience at the BoD level;
- Establish the requirements for occupying a certain position within the company’s management;
- Permanently update the professional competencies of the BoD members, coordinating the improvement of their knowledge for the purpose of applying the best practices in corporative governance;

- Submit for the authorization /approval of the BoD/GMS the remuneration policy for the company’s administrators and managers;
- In establishing the remuneration of the non-executive administrators, the proportionality principle of this remuneration shall be complied with the responsibility and time dedicated to performing their positions;
- Submit to BoD an annual report regarding the total amount of the administrators’ and managers’ remuneration, separate on the steady and variable component of these remunerations, as well as other advantages provided for them; the annual report of the consulting Committee of Nomination and Remuneration consists in at least information regarding:
  - The remuneration structure, explaining the balance of the variable and steady component;
  - The performance criteria substantiating the variable component of the remuneration, the report between the performance and remuneration;
  - Reasons justifying any annual bonus scheme or non-cash benefits;
  - Possible additional or anticipated pension schemes;
  - Information regarding contract period, negotiated notice period, damage amount – interest for revoking without a real cause.

According to the provisions of Art 34 paragraph (4) of GEO 109/2011, the Consulting Committee for Nomination and Remuneration consists in the non-executive BoD members and one of the members is independent: Carmen Radu (non-executive, independent member), Bogdan Stanescu (non-executive member) and Alexandru Alexe (non-executive member).

### **The activity of the Consulting Committee for Nomination and Remuneration during the period 2013-2016**

#### *Number of meetings*

2013	2014	2015
8	12	2

In **2013**, CNR within SNN assembled into 8 meetings drafting recommendations to the SNN BoD regarding themes under its attribution scheme: drafting and approval of the Organization and Operation Regulation of CNR; drafting the recommendation regarding the selection procedure of the financial/economic manager, it being appointed by the BoD, on the CNR recommendation.

In order to initiate the selection process of the Financial Manager, CNR concluded a contract with an expert in human resources recruiting. Part of the CNR attributions in this field was the drafting and approval of the conditions that need to be complied with by the candidates and the selection criteria of the financial/economic Manager, as well as the organization of its selection process.

In **2014**, based on changing the standards of financial reporting Order of the Ministry of Public Finances 3055/2009 with the International Standard of Financial Reporting, amendment which had an impact on the elements consisted in the IEB and on the performance indicators and criteria of the administrators (turnover, exploitation profit, exploitation costs), CNR performed an evaluation of performance indicators compliance with elements from the IEB corresponding to 2014 and proposed and amendments of the annex 1 and annex 1.1. to the management contracts and an update of the steady remuneration consisted in the management contract according to the update communicated by INS of the average gross income in the branch. The amendments were approved by the GMS from 29.04.2015.

In order to occupy a vacant administrator position following the amendment of art. 20 of the SNN Articles of Incorporation, left vacant on 6.10.2014, CNR performs the recommendation of occupying this position by a temporary administrator by appointing Mrs. Dragan Ioana Alina as administrator, starting 30.10.2014, until the appointment of an administrator by SNN SA GMS, selected according to the GEO 109/2011, for the vacant administrator position.

In **2015**, CNR performs a series of analysis and recommendations regarding the competency commission, amendments of the Articles of Incorporation, analysis of compliance with the performance indicators of the BoD, proposals regarding the company's alignment to the new Corporative Governance Code applicable from 04.01.2016.

## 8. The dividend policy

SNN is a national company with state majority ownership. Thus, the profit distribution is consistent with the Government Ordinance no. 64/2001 regarding the profit distribution within the national companies and companies owned by the state or with state majority and within the autonomous companies, as amended and supplemented. Thus, in accordance with GO no. 64/2001 the minimum share for the dividend distribution is 50% of the net profit remaining after the distributions specified in Article 1, paragraph (1) a) -e) of GO no. 64/2001. The legislative framework should be modified in the future by amending the legislation so that the minimum dividend shares distribution to be changed.

The provisions of GO 64/2001 establish a mandatory minimum share dividend distribution. Thus, as long as the provisions of GO 64/2011 remain unchanged, the company may propose to shareholders a dividend distribution rate of between 50% and 100% of the distributable profit. Share of profits to be distributed annually by the Company as dividends is subject to approval in the General Meeting of Shareholders.

In its proposals to the Annual General Meeting on dividend distribution rate in the future, the Board of Directors took into consideration the following criteria:

- Ordinance 64/2001 compliance, including the minimum distribution rate of 50% of the distributable profits;
- Maintaining a balance between the need to compensate shareholders through dividend and the financing needs through the company's own resources, including investment projects;
- Correlation between the distributable profit to dividends and the monetary correspondence of the distributable profit, i.e. that part of the distributable profit that has a monetary correspondence, after adjusting of non-monetary items; This is intended to avoid de-capitalization of the company in case of a decoupling between the distributable profit to dividends and the monetary counterparty of the profit;
- Ability to ensure a dividend yield correlated with other similar listed companies, as well as a correlation of the dividend per share in absolute value to that of the previous period.

The owed and paid dividends in the last 3 years were as follows:

Indicator (thousand lei)	2015	2014*)	2013
Net profit	<b>149,143,729</b>	<b>133,064,655</b>	<b>423,391,480</b>
Distribution to the legal reserve	(9,590,178)	(8,250,662)	(26,335,766)
Other reserves representing the fiscal facilities provided by the law	(1,168,929)	(516,049)	

Net profit distributable to the dividend	<b>138,384,622</b>	<b>124,297,944</b>	<b>397,055,714</b>
Participation of salaries to the profit	(3,563,000)	(2,592,400)	(3,311,817)
Net profit as calculation base for dividends distribution	<b>141,947,622</b>	<b>126,890,344</b>	<b>400,367,531</b>
Dividends proposed	99,499,571	90,366,312	340,957,135
Dividend granted	-	90,366,312	340,957,135
Dividends paid until 31.12.2015	-	90,349,952	340,685,426
Rate of profit distribution (%)	<b>70.10%</b>	<b>71.22%</b>	<b>85.16%</b>

\*) for 2015 the presented indicators represent the proposal for profit distribution

## 9. Presence within the meetings held by the Board of Directors

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*2013*

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In 2013, 32 BoD meetings took place, out of which 24 with presence and 8 with electronic vote, according to art 18 paragraph (19) of the Articles of Incorporation of SNN. The BoD members not present at the meetings gave powers of attorney to other BoD members as provided by the Articles of Incorporation.

	Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan
Total	22	21	24	21	22

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*2014*

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In 2014, 42 BoD meetings took place, out of which 21 with presence and 21 with electronic vote, according to art 18 paragraph (19) of the Articles of Incorporation of SNN. The BoD members not present at the meetings gave powers of attorney to other BoD members as provided by the Articles of Incorporation.

	Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan
Total	20	17	19	15	17

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*2015*

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In 2015, 34 BoD meetings took place, out of which 23 with presence and 11 with electronic vote, according to art 18 paragraph (19) of the Articles of Incorporation of SNN. The BoD members not present at the meetings gave powers of attorney to other BoD members as provided by the Articles of Incorporation.

	Sandulescu Alexandru	Alexe Alexandru	Lulache Daniela	Radu Carmen	Popescu Dan	Stanescu Bogdan *) member of BoD since 29.04.2015
Total	19	20	21	14	20	12

The Activity Report reflects the involvement and the actions taken during the office term in order to fulfill the goals of the Management Plan and for the proper implementation of the measures related to achieving these goals. The company's results in terms of operation and production are significant. SNN is currently one of the best performing nuclear operators in the world. Besides, the specific indicators of the nuclear industry have a very high level being indicative for the efficiency of all processes set out within SN Nuclearelectrica SA. Given the massive drop in the price of energy, SNN ability to maintain a good performance and even higher than the market price indicates the application of a sales strategy perfectly adapted to the context of the market and to the need to offer competitive products. These results can be obtained only if a perfectly integrated internal management system is applied, system able of ensuring without functional failures all the necessary resources in order to get these results.