



**Approved,  
President of the Board of Directors  
Iulian-Robert Tudorache**

**Note on the recalculation of the gross remuneration of Directors and  
the limits of the gross remuneration of Directors stipulated in mandate contracts,  
based on the provisions of art. 18 of GEO no. 90/2017**

**1. General / Competency aspects**

The approval of the remuneration of the Directors of a company is the responsibility of the Ordinary General Meeting of the Shareholders in accordance with the provisions of art. 111 par. (1) lit. c) of Law no. 31/1990 on societies ("Law No 31/1990"). At the same time, art. 13 par. (2) lit. f) from the Constitutive Act of Nuclearelectrica S.A. ("SNN") provides that it is the responsibility of the Ordinary General Meeting of Shareholders to approve the level of remuneration of the members of the Board of Directors.

The approval of the limits of the remuneration of the Directors of a company which are not part of the Board of Directors and with which the Company has concluded mandate contracts is within the competence of the Ordinary General Meeting of Shareholders in accordance with the provisions of art. 153 index 18 paragraph (2) of the Law no. 31/1990. In the same time, art. 13 par. (2) lit. e) from the Articles of Incorporation of SNN stipulates that it is the responsibility of the Ordinary General Meeting of Shareholders to establish the general limits of the remunerations of the General Manager and the Directors. For the avoidance of doubt, in the present Note, the term "Director" means only the person who has been delegated management powers by delegating the management of the company, including the General Manager, in accordance with the provisions of art. 143 of Law no. 31/1990.

**2. Presentation**

By paragraph 14 of the Ordinary General Meeting of Shareholders Decision no. 10 / 20.12.2017 the monthly gross fixed indemnity for temporary members of the Board of Directors was approved at the level of two averages for the last 12 months of the monthly average gross earnings in the activity developed according to the main object of activity registered by the company at class level according to the classification of the activities in the national economy, communicated by the National Institute of Statistics prior to the appointment, observing the provisions of art. 37 paragraph (2) of GEO no. 109/2011 on Corporate Governance of Public Enterprises ("GEO No. 109/2011"). Taking into account that the provisional administrators of SNN were appointed on 20.12.2017 under the provisions of GEO no. 109/2011 and the established shareholder algorithm set out above, the gross monthly fixed indemnity of the provisional administrators was calculated. We mention that the algorithm established by the shareholders was based on the provisions of GEO no. 109/2011 and the provisional administrators were appointed on the basis of the provisions of art. 64 index 1 of GEO no. 109/2011.

By point 17 of the Ordinary General Meeting of Shareholders Decision no. 2 / 24.04.2017 were

approved the general limits of the monthly gross fixed indemnity of the directors between 4 and 6 times the average for the last 12 months of the average gross monthly earnings in the branch in which the company operates, communicated by the National Institute of Statistics prior to appointment. Based on the shareholder's algorithm, the company calculated the monthly gross fixed indemnities of Directors with whom SNN entered into contract contracts after the date of the shareholders' resolution. We mention that the algorithm established by the shareholders was based on the provisions of GEO no. 109/2011 and the Directors were appointed on the basis of the provisions of art. 64 index 2 par. 1 of GEO no. 109/2011.

In the same time, we mention that the Financial Director of the company appointed on the basis of Government Emergency Ordinance 109/2011 with a four-year mandate contract for the period 01.02.2014 - 01.02.2018, whose mandate will cease on 03.01.2018 also benefited from a variable component including the year 2017. The variable component was established in compliance with the provisions of the Ordinary General Meeting of Shareholders Decision no. 20 / 22.08.2013 and in compliance with the provisions of GEO no. 109/2011.

**Analysis of fiscal changes applicable from 1<sup>st</sup> of January 2018 for salary and assimilated to salaries incomes**

On 08.11.2017, GEO no. 79/2017 was approved, which amends and supplements certain provisions of the Fiscal Code. For the salary incomes and assimilated to salaries, the changes will be applicable as of 1 January 2018, the proposed changes being of a fundamental nature.

By the modifications brought by GEO no. 79/2017 of the Fiscal Code, the compulsory social security system is changed as follows:

- o The social security contribution will be payable by the employee only and will be 25% of the social security contribution calculation basis (unless there are special conditions of work, in which case some allowances are also provided for employers, respectively 4% or 8% of the same above mentioned base, as the case may be).
- o The social health insurance contribution will be due only by the employee and will be 10% of the calculation base of the social health insurance contribution.
- o The 2.25% insurance contribution for work, which is replacing the unemployment allowance, the vacation allowance and sickness insurance allowance, the insurance contribution for work accidents and occupational diseases and the contribution to the Guarantee Fund for the payment of salary claims, will be borne by the employer.
- o The obligation to calculate, withhold and pay social contributions remains with the employer.

Essentially, there is a "transfer" of social and health contributions from the employer's burden on the employee, while reducing the income tax on salaries and assimilated salaries from 16% to 10%.

The comparative analysis of the current system of taxation and of supporting the social contributions with the system proposed and approved starting from 1 January 2018 is presented as follows:

Element	Actual quota (%)	Applicable quotas from 01.01.2018	Observations
<b>1. Income Tax</b>			

Tax on salary and assimilated to salaries incomes	16%	10%	There is a reduction in the tax rate
<b>2. Social security contributions (CAS)</b>			
<b>Individual</b> contribution (paid by employee) for social insurance (CAS) - normal, particular or special working conditions	10.5%	25%	The employer's share is transferred (partially) to the employee
Contribution of the <b>employer</b> to Social Insurance (CAS) - <b>normal working conditions</b>	15.8%	0%	Employer's contribution to social security - normal working conditions is eliminated.
Contribution of the <b>employer</b> to Social Insurance (CAS) - <b>particular working conditions</b>	20.8%	4%	Most of the employer's contribution is transferred to the employee; from the current 5% differential for particular working conditions, a 4% share in the employer's burden is maintained
Contribution of the <b>employer</b> to Social Insurance (CAS) - <b>special working conditions</b>	25.8%	8%	Most of the employer's contribution is transferred to the employee; from the current 5% differential for special work conditions, a 8% share in the employer's burden is maintained
<b>3. Contributions to health insurance (CASS)</b>			
The <b>individual</b> contribution to health insurance (CASS)	5.5%	10%	The employer's share is transferred to the employee
Contribution of the <b>employer</b> to health insurance (CASS)	5.2%	0%	Employer's contribution to health insurance is eliminated.
<b>4. Other contributions Alte contributii applicable to salary and assimilated to salaries incomes</b>			
<b>Individual</b> unemployment insurance contribution	0.5%	0%	It is eliminated
<b>Employer's</b> unemployment insurance contribution	0.5%	0%	It is eliminated
<b>Employer's</b> Contributions to vacation and health insurance indemnity	0.85%	0%	It is eliminated
<b>Employer's</b> contribution to the insurance for work accidents and occupational diseases	0.15% - 0.85%	0%	It is eliminated
<b>Employer's</b> contribution to the wage claims fund	0.25%	0%	It is eliminated
<b>Employer's contribution to work insurance</b>	N/A	2.25%	A unique employer contribution is introduced which basically takes over all of the above-mentioned contributions mentioned in section 4 (with the minimum contribution to work accident insurance contribution)

Thus, as of 01.01.2018 the employee will bear a share of social security contributions (CAS) regardless of the working conditions in the 25% share, as well as a share of social health insurance (CASS) in the 10% share, while the income tax will drop from 16% to 10%.

We mention that, under the provisions of Article 76 (2) lit. f) and o) of the Fiscal Code, the salary received by Directors with a mandate contract and the remuneration of administrators of companies, National companies and autonomous administrations, appointed/ named under the law, are assimilated to salary income.

Therefore, the amendments to the Fiscal Code in respect of mandatory social contributions also affect the remuneration of SNN Directors and Administrators.

The provisions of art. 18 of GEO no. 90/2017 stipulate the following: "***The gross remuneration of the directors and administrators provided in the mandate contracts concluded according to the provisions of Government Emergency Ordinance no. 109/2011 on Corporate Governance of Public Enterprises, approved with amendments and completions by Law no. 111/2016, as amended, may be recalculated in order to be reconciled with the new mandatory social contributions due under Law no. 227/2015, as subsequently amended and supplemented, as amended by the Government Emergency Ordinance no. 79/2017 amending and supplementing Law no. 227/2015 regarding the Fiscal Code***".

By GEO no. 90/2017, the gross remuneration of Directors and Administrators stipulated in mandate contracts shall be recalculated in order to be reconciled with the new compulsory social contributions due, according to Law no. 227/2015, as subsequently amended and supplemented, as amended by the Government Emergency Ordinance no. 79/2017 amending and supplementing Law no. 227/2015 regarding the Fiscal Code. We mention that in present, SNN Directors and Administrators benefit from a monthly gross fixed monthly remuneration without a variable component, except for the Financial Director appointed under OUG 109/2011 with a four-year mandate contract for the period 01.02.2014 - 01.02.2018, whose mandate will cease on 03.01.2018 and has benefited from a variable component including on 2017.

### **3. Proposals**

Thus, regarding the above mentioned, **we submit to the Board of Directors / approval of the Ordinary General Meeting of Shareholders the following:**

- 1. Approval of monthly gross fixed indemnities of the company's Directors** provided in the mandate contracts concluded with SNN, in order to maintain the net monthly indemnity valid at the date of appointment, in order to comply with the new mandatory social contributions due, according to Law no. 227/2015, with subsequent amendments and completions, as amended by GEO no. 79/2017 for amending and completing the Law no. 227/2015 regarding the Fiscal Code, the recalculation based on the provisions of art. 18 of GEO no. 90/2017. The allowance will be recalculated starting with the allowance related to January 2018 inclusive, in order to ensure the same net monthly indemnity to which the administrators would benefit in the absence of the effects of GEO 79/2017 on the net monthly indemnity.
- 2. Approving the recalculation of the Directors' remuneration limits, respectively the recalculation of the monthly gross fixed indemnities of the Directors as well as of any variable components in gross amounts related to the remuneration of the Directors** stipulated in the mandate contracts concluded with SNN in order to maintain the net monthly indemnity valid at the date of appointment or subsequently amended by additional acts to the mandate contracts, respectively the net level of any variable components related to the remuneration of the Directors for compliance with the new mandatory social contributions due according to the Law no. 227/2015, with subsequent amendments and completions, as amended by GEO no. 79/2017 for amending and completing the Law no. 227/2015 regarding the Fiscal Code, the recalculation based

on the provisions of art. 18 of GEO no. 90/2017. The gross monthly fixed indemnity will be recalculated starting with the January 2018 indemnity, and any variable components of the remuneration due to the Directors under the terms of the mandate contracts will also be recalculated starting with January 2018 to ensure the same net monthly indemnity the same net level of the variable remuneration component to which the Directors would have benefited in the absence of the effects of GEO 79/2017 on the monthly net indemnity and the net amount of variable liabilities.

**General Manager,  
Cosmin Ghiță**

**Financial Manager,  
Mihai Darie**