



NUCLEARELECTRICA

**Approved,
Board of Directors
Iulian Robert Tudorache – President**

NOTE

on the approval of:

(a) the financial and non-financial performance indicators that will form the annex to the Contract of Mandate of non-executive directors; (b) the equivalent value corresponding to the annual variable component of the remuneration of the company's non-executive directors; (c) the form of the addendum to be concluded to the Contract of Mandate of the company's non-executive directors; (d) the financial and non-financial performance indicators that will form the annex to the Contract of Mandate of executive directors; (e) the form of the addendum to be concluded to the Contract of Mandate of the company's executive directors; (f) granting mandate to the representative of the Ministry of Energy, in order to sign the Addenda to the Contract of Mandates with the company's directors, in view of the submission for approval of the General Meeting of Shareholders of Societatea Nationala Nuclearelectrica SA; (g) the general limits of the variable component of the remuneration that may be granted to Managers

Considering the following:

- Resolution of the Ordinary General Meeting of Shareholders no. 12 dated September 28th, 2018, whereby the members of the Board of Directors were elected, with a 4-year mandate, following the process of selection of the directors of Societatea Nationala Nuclearelectrica S.A. ("SNN" or the "Company") according to the provisions of OUG [*Emergency Government Ordinance*] no. 109/2011;
- Contract of Mandate no. 53/September 28th, 2018, concluded by the Company with Mr. Ghita Cosmin, as Executive Director;
- Contract of Mandate no. 54/September 28th, 2018, concluded by the Company with Mr. Dima Cristian, as Non-Executive Director;
- Contract of Mandate no. 55/September 28th, 2018, concluded by the Company with Mr. Tudorache Iulian Robert, as Non-Executive Director;
- Contract of Mandate no. 56/September 28th, 2018, concluded by the Company with Mrs. Popescu Elena, as Non-Executive Director;
- Contract of Mandate no. 57/September 28th, 2018, concluded by the Company with Mr. Vulpescu Dumitru Remus, as Non-Executive Director;
- Contract of Mandate no. 58/September 28th, 2018, concluded by the Company with Mr. Gentea Cristian, as Non-Executive Director;
- Contract of Mandate no. 59/September 28th, 2018, concluded by the Company with Mr. Anitei Mihai Daniel, as Non-Executive Director;

Societatea Nationala NUCLEARELECTRICA S.A.

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Order number with the Trade Register: J40/7403/1998, Sole Registration Code: 10874881,

Subscribed and paid share capital: RON 3,015,138,510

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- the provisions of art. 13 par. (2) letter (f) of the Articles of Incorporation of Societatea Nationala Nuclearelectrica S.A., updated on January 4th, 2019, whereby *"The Ordinary General Meeting of Shareholders establishes the remuneration of the members of the Board of Directors, as well as the terms and conditions of the Contract of Mandate concluded with the members of the Board of Directors"*;
- the provisions of art. 3 par. (2) let. (f) and (g) of OUG no. 109/2011 regarding the corporate governance of public companies, whereby *"The public supervisory body has the following powers: to mandate its representatives in the general meeting of shareholders to negotiate and approve the financial and non-financial performance indicators for the board of directors; g) to monitor and assess by means of its own corporate governance structures the financial and non-financial performance indicators attached to the Contract of Mandate;*
- The provisions of art. 30 par. (6) of OUG no. 109/2011 regarding the corporate governance of public companies, whereby *"The financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders constitute the elements in relation to which the variable component of the remuneration is determined for the company's directors and managers;*
- The provisions of art. 37 of OUG no. 109/2011 regarding the corporate governance of public companies, whereby *"The remuneration of the members of the board of directors or, as applicable, of the members of the supervisory board, shall be determined by the general meeting of shareholders in the structure and limits stipulated in par. (2) and (4). (2) The remuneration of non-executive members of the board of directors or the supervisory board shall be formed of a fixed monthly allowance and a variable component. The fixed allowance may not exceed twice the average of the monthly gross salary earnings over the last 12 months for the activity performed according to the main scope of business registered by the company, at class level, according to the national classification of economic activities, communicated by the National Institute of Statistics prior to appointment. The variable component shall be determined based on financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders, different to those approved for the executive directors, determined in compliance with the methodology set out under art. 3[^]1 par. (5), and which seek the long-term sustainability of the company as well, and ensuring the compliance with the principles of good governance. The equivalent value of the variable component for non-executive members may not exceed a maximum of 12 monthly fixed allowances. (3) The remuneration of the executive members of the board of directors or the supervisory board shall be formed of a fixed monthly allowance that may not exceed 6 times the average of the monthly gross salary earnings over the last 12 months for the activity performed according to the main scope of business registered by the company, at class level, according to the national classification of economic activities, communicated by the National Institute of Statistics prior to appointment, and of a variable component. The variable component shall be based on financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders, different to those approved for the non-executive directors, determined in compliance with the methodology set out under art. 3[^]1 par. (5). (4) The variable component of the remuneration of the members of the board of directors or of the supervisory board shall be reviewed on a yearly basis, depending on the level of fulfillment of the objectives comprised in the administration plan and the degree of fulfillment of the financial and non-financial performance indicators approved by the general meeting of shareholders, attached to the Contract of Mandate. (5) The general meeting of shareholders shall ensure, when establishing the monthly fixed allowance of each member of the board of*

directors or, as applicable, of each member of the supervisory board, determined according to par. (2) and (4), that it is justified in relation to specific duties, attributions within the advisory committees, the number of meetings, the performance objectives and criteria set in the contract of mandate;

- The provisions of art. 38 of OUG no. 109/2011 whereby “(1) The remuneration of managers shall be established by the board of directors and may not exceed the level of remuneration established for the executive members of the board of directors. This is the sole form of remuneration for the managers who also fulfil the role of directors. (2) The remuneration shall be formed of a fixed monthly allowance established within the limits set out under art. 37 par. (3) and a variable component consisting of a share in the company's net profit, granting shares, stock-options or an equivalent scheme, a pension scheme or other form of remuneration based on the performance indicators. (3) The approved financial and non-financial performance indicators constitute the elements in relation to which the variable component of the remuneration is determined for the company's managers. (4) The remuneration of management members is established by the supervisory board. The provisions of par. (1) and (2) are also applicable to management members.”;
- The provisions of art. 153 index 18 of Law no. 31/1990, whereby “(1) The remuneration of the members of the board of directors or of the supervisory board shall be established under the articles of incorporation or by a resolution of the general meeting of shareholders. (2) The additional remuneration of the members of the board of directors or of the supervisory board with specific functions within such body, as well as the remuneration of managers, in the unitary system, or of management members, in the dual system, shall be established by the board of directors, or the supervisory board, respectively. The Articles of Incorporation or the general meeting of shareholders shall set the general limits of all the remunerations granted this way. (3) Any other advantages may only be granted in compliance with par. (1) and (2). (4) The general meeting and the board of directors or the supervisory board, respectively and, if applicable, the remuneration committee, shall ensure, when establishing the remunerations or other benefits, that such are justified in relation to the specific duties of the persons concerned and the economic situation of the company.”;
- The provisions of art. 13 par. 2 let. e) from the Articles of Incorporation of SNN, whereby the Ordinary General Meeting of Shareholders has the duty to set the general limits of the remunerations for the Chief Executive Officer and the Managers;
- The provisions of H.G. [Government Decision] no. 722/2016 approving the Methodological norms for the enforcement of provisions from Emergency Government Ordinance no. 109/2011 regarding the corporate governance of public companies - Annex 2 - Methodological Norms for establishing the financial and non-financial performance indicators and the variable component of the remuneration for the members of the board of directors or, as applicable, of the supervisory board, as well as for the managers and the management members, respectively,

The Ordinary General Meeting of Shareholders has as part of its duties the approval of the following:

- (a) the financial and non-financial performance indicators that will form the annex to the contract of mandate of non-executive directors;
- (b) the equivalent value corresponding to the annual variable component of the remuneration of the company's non-executive directors;
- (c) the form of the addendum to be concluded to the contract of mandate of the company's non-executive directors;

- (d) the financial and non-financial performance indicators that will form the annex to the contract of mandate of executive directors;
- (e) the form of the addendum to be concluded to the contract of mandate of the company's executive directors;
- (f) granting mandate to the representative of the Ministry of Energy, in order to sign the Addenda to the Contract of Mandates with the company's directors, in view of the submission for approval of the General Meeting of Shareholders of Societatea Nationala Nuclearelectrica SA;
- (g) the general limits of the variable component of the remuneration that may be granted to Managers.

The contracts of mandate concluded between the Company and the non-executive directors and the executive director, as well as the contracts of mandate concluded by the Company with the managers set out a variable component of the remuneration, established based on the financial and non-financial performance indicators determined at company level, in correlation with short, medium and long term objectives, specified in the Letter of Expectations formulated in the selection process of directors and managers who signed the contract of mandate, carried out according to OUG 109/2011

The financial performance indicators and the non-financial performance indicators (operational and for corporate governance) proposed in order to measure the performance of the company over the entire term of the mandate of executive and non-executive directors are included in the annex to this note and are determined in compliance with the methodology set out by HG no. 722/2016.

The annexes containing the financial performance indicators and the non-financial performance indicators are included in the proposal for addendum to the contract of non-executive directors and of executive directors and they are an integral part thereof.

The variable component of the remuneration is proposed to be granted subject to the cumulative fulfillment of key performance indicators, as follows:

- a. The annual variable component shall be granted with a share of 100% if the key performance indicators cumulatively meet an achievement percentage equal to or above 100%;
- b. The annual variable component shall be granted with a reduced percentage, proportionally to the degree of achievement of the key performance indicators, if these cumulatively meet within the financial year an achievement percentage below the value of 100%, but not lower than 75%. If key performance indicators cumulatively meet within a financial year an achievement percentage below 75%, the annual variable component shall not be granted;
- c. For the annual variable component of the non-executive director, the value of 12 fixed monthly allowances is proposed, the value of the medium and long-term component is determined by applying the percentage shares specified in the annex;
- d. In order for the variable component to be granted, the following are proposed:
 - The annual variable component shall be granted proportionally in relation to the months of activity in the event that the mandate does not cover the full year of the financial year, for the last year of the mandate;
 - The variable short-term component shall be calculated and paid for a financial year, the amount being granted in quarterly installments of 18% of the annual value forecast for the fiscal year in progress corresponding to the budget execution for the term elapsed of the fiscal year, within 10 calendar days of at the date when the financial statements of each quarter are closed, and following the date of approval by the General Meeting of Shareholders of the audited annual financial statements, the due amount based on the cumulative achievement percentage of key performance indicators, it shall be adjusted within 15 calendar days.

- In the event that, the cumulative achievement percentage of key performance indicators for a quarter lies below 75%, the granting of the annual variable component shall be suspended until the end of the financial year, with the difference being subsequently settled within 15 calendar days from the date of approval by the General Meeting of Shareholders of the audited annual financial statements.
 - The medium-term variable component shall be calculated and paid for a period of two financial years, based on the percentages set out in the annex and shall be granted within 15 calendar days from the date of approval by the General Meeting of Shareholders of the audited annual financial statements corresponding to the relative year of the mandated specified in the annex to the contract of mandate
 - The long-term variable component shall be calculated and paid for the full four-year mandate for activity, the granting shall be made within 15 calendar days of the closure of the financial year of the year containing the last months of the mandate.
- e. If the mandate ceases before the end of the term of the mandate, for reasons not related to the person of the director, the variable component shall be granted accordingly, until the last full month of activity during the mandate term.
- f. If the mandate ceases before the end of the term of the mandate, for reasons related to the person of the director, the company shall be entitled to claim and the director undertakes to return the full amount granted during that year, representing the payment of the variable component of the year in which the termination of the mandate became effective.
- g. Key performance indicators, targets, and the achievement degree may be changed, as applicable, in the following situations:
- a) Force majeure, as such is defined by law;
 - b) Other causes not imputable to the directors and which do not affect the achievement of the objectives and targets set for the entire mandate.

Targets may be changed in the event of an approved rectification of the Revenue and Expenses Budget, under the conditions of the law and of the articles of incorporation.

- h. The financial performance indicators are reported at the amounts forecast in the Revenue and Expenses Budget, their verification being made by reference to the obtained values of these indicators, as such are registered in the company's financial records.
- i. Non-financial performance indicators are reported to the content of the management plan.
- j. The method of verification of non-financial indicators is performed by analyzing the state of achievement of these indicators included in Reports / Calculation Formulas indicated in the column "Verification tools" in Annex 3.1, and 3.2, respectively.

Regarding the general limits of the variable component of the remuneration that may be granted to the company's Managers, the proposal is that they be between 2 times and 3 times the monthly gross fixed allowance, established for Managers, taking into account the following aspects:

- (i) for nuclear power plants, top management positions similar to those of Managers are remunerated best, also to maintain a normal correlation between the remuneration of these positions and other positions within the company, the variable component may reach a percentage of approximately 66% (2/3) of the total remuneration of managers;
- (ii) the fact that SNN is a producer of nuclear energy with a certain specific nature that gives rise to an extremely important responsibility in relation to the population, the environment and the personnel;
- (iii) permanent maintenance of a nuclear security level in all phases of performance and exploitation of the nuclear objectives and installations is of vital importance and

represents the first priority for SNN. SNN developed a nuclear safety policy that was approved by CNCAN, with the purpose of maintaining a high and constant level of nuclear safety in all the phases of the commissioning and operation of nuclear installations. The nuclear safety policy ensures performance warranties for all the significant activities regarding nuclear safety, in all the phases of installation and operation of nuclear facilities. This document confirms the fact that nuclear safety has the maximum priority;

- (iv) The annual energy quantity that SNN can produce through its two Cernavoda NPP units is approximately 10.6 TWh (net), given the fact that the units are operated at a high capacity factor. The energy produced by SNN in 2018 had a weight of approximately 18% in the total energy produced in Romania (net values).

Considering the foregoing, we are submitting for approval, in view of submission for the approval of the General Meeting of Shareholders of SNN, the following:

1. the financial and non-financial performance indicators that will form the annex to the contract of mandate of non-executive directors, in the form presented in the draft of the Addendum to the Contract of Mandate found in Annex 1 to this Note, which is an integral part thereof;
2. the equivalent value corresponding to the annual variable component of the remuneration of the company's non-executive directors, amounting to 12 monthly fixed allowances, in the form presented in the draft of the Addendum to the Contract of Mandate found in Annex 1 to this Note, which is an integral part thereof;
3. the form of the addendum to be concluded to the contract of mandate of the company's non-executive directors, Annex 1 to this Note, which is an integral part thereof;
4. the financial and non-financial performance indicators that will form the annex to the contract of mandate of executive directors, in the form presented in the draft of the Addendum to the Contract of Mandate found in Annex 2 to this Note, which is an integral part thereof;
5. the form of the Addendum to be concluded to the Contract of Mandate of the company's executive directors, in the form presented in the draft of the Addendum to the Contract of Mandate found in Annex 2 to this Note, which is an integral part thereof;
6. Granting mandate to the representative of the Ministry of Energy, in order to sign the Addenda to the mandate contracts with the company's directors.
7. The general limits of the variable monthly component of the remuneration for the Company's Managers, between 2 times and 3 times the monthly gross fixed allowance established for Managers

Chief Executive Officer
Financial Officer
Cosmin Ghita

Deputy Chief Executive Officer
Laurentiu Dan Tudor

Chief
Adrian Gabriel Dumitriu

Manager of the Legal and Corporate Affairs Division
Laura Constantin

Manager of the Document Legality Approval Department
Vlad Chiripus

Finance and Accounting Department
Mihai Dan Gheorghievici – Chief Accountant

Head of Human Resources Department
Liviu Dumitru Radu Gheorghiu