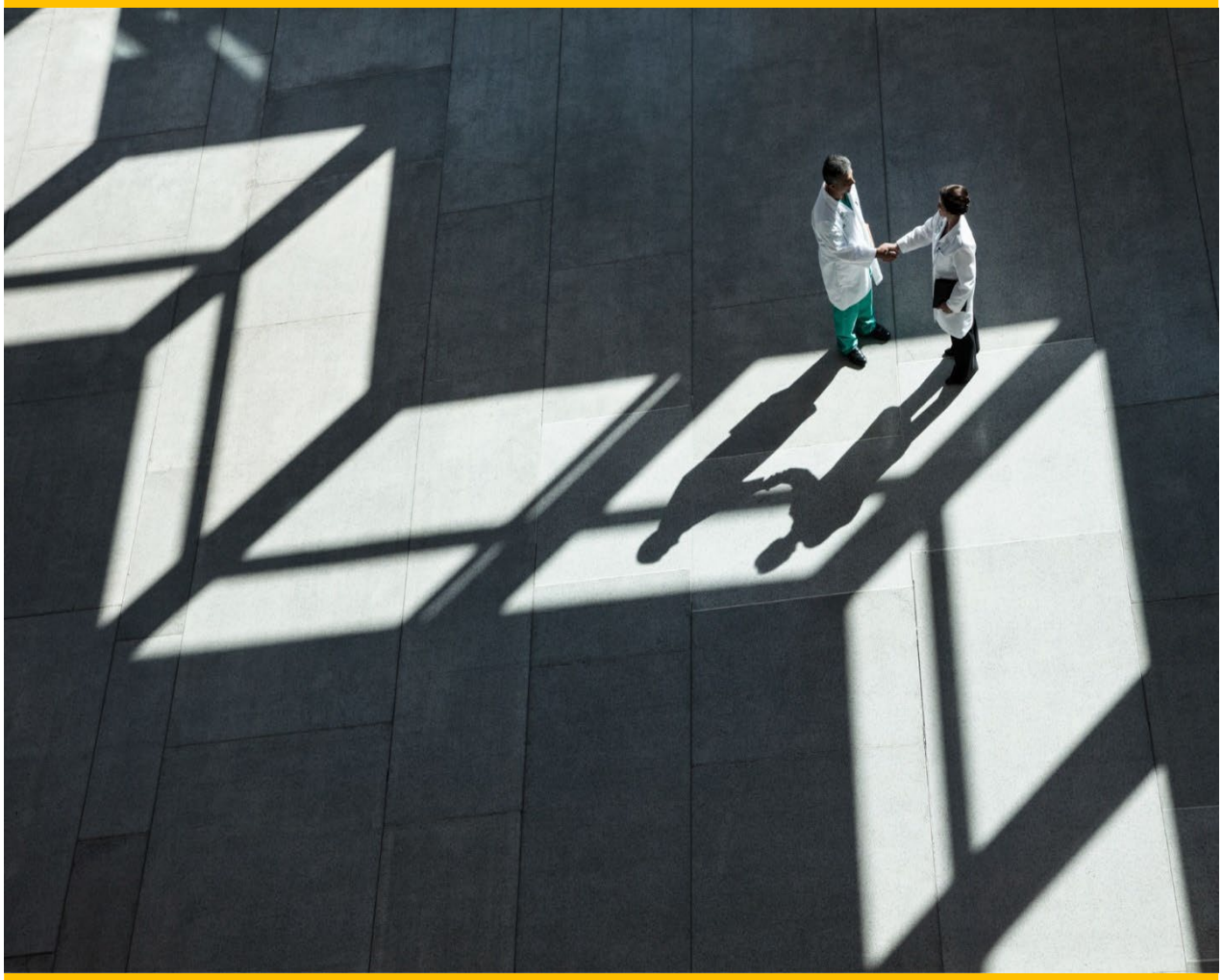
Policies, risk management and results achieved

Risk Management Service

Contents



INTRODUCTION

SNN ensures the methodical and methodological organisation of the risk management function throughout the entire organisation, as an integral part of the nuclear safety culture, but also with a view to achieving the proposed objectives of safe and economically efficient operation. Risk assessment within SNN is carried out periodically (quarterly), in accordance with procedure MR-00-01 – Risk management within S.N. Nuclearelectrica S.A., and the results are presented in the Risk Management Report, with a focus on the main risks faced by the Company.

1. Risk policy

In order to support its activities, achieve its business objectives and comply with the applicable national legislative framework, S.N. Nuclearelectrica S.A. has implemented, developed and constantly improved a risk management framework in accordance with the provisions of OSGG 600/2018 on the approval of the Internal Management Control Code for Public Entities, for the management and control of corporate risks in particular, complementary to the risk management framework implemented at CNE Cernavoda and FCN Pitesti for the management and control of operational and technical risks.

SNN has established a risk management function with a risk management process, methodology and framework to support the maintenance of risks at an acceptable level.

In developing the corporate risk management framework, the provisions of the applicable risk management standards (SR ISO 31000:2018 "Risk Management. Guidelines" and "SR EN 31010:2010 Risk Management. Risk Assessment Techniques"), as well as those of COSO (Committee of Sponsoring Organisations of the Treadway Commission).

The management of SN Nuclearelectrica SA pays particular attention to the adequate management of the risks to which the organisation is exposed, in order to continue operating the plant in conditions of nuclear safety and security at levels of operational excellence.

The functioning of the risk management framework within SN Nuclearelectrica SA contributes to ensuring the protection of assets, the reliability of financial reporting, and the efficiency and effectiveness of activities and processes, in accordance with the relevant legislative framework and the organisation's internal rules and procedures.

The management of SN Nuclearelectrica SA aims to maintain and constantly improve the risk management framework so that it remains adequate and adapted to changes in the organisation's internal and external environment.

The main coordinates and instruments of the corporate risk management framework are:

- Entities (departments), processes, roles, tools, responsibilities and managers established in a manner that provides reasonable assurance to the organisation's management and third parties that the risks to which the organisation is exposed are adequately assessed, managed, monitored and reviewed.
- Circulation of risk information within SNN through a dedicated internally developed IT application, for making informed decisions from a risk perspective.
- Uniform assessment across the organisation, using a common assessment metric, of the probability of occurrence and potential impact
- A framework for assessing counterparty credit risk,

- Prudential eligibility criteria for direct bilateral contracting in SNN's electricity trading activity,
- Eligibility criteria for issuers of guarantees established in favour of SNN for electricity trading and procurement activities,
- Processes, roles, responsibilities and tools for verifying the compliance of guarantees established in favour of SNN, through a dedicated internally developed IT application,
- A risk tolerance limit (risk appetite), expressed as a score/rating/risk exposure, between average risk ratings and high risk ratings, with lower-scoring risks considered tolerable and those above this score considered intolerable,
- A constantly monitored risk profile (see current risk profile below).

1.1. Risk profile and risk tolerance limit

Annually, the Risk Management Service reviews the risk profile and risk tolerance limit, which it submits to the SCIM Monitoring Committee for approval.

The SNN **risk profile** for 2024-2025 is structured as follows:

Risk name	Weighting 2024	2025 weight	Risk level 2024	Risk level 2025	Trend 2024	Trend 2025
Operational risk	30	30	Low	Low	→	→
Market/price risk	8	8	High	High	→	→
Credit risk/counterparty risk	10	10	High	High	→	→
Competitive risk	5	5	Environment	Environment	→	→
Macroeconomic risk	5	10	High	High	→	↗
Geopolitical risk, hybrid conflict and disinformation	12	13	High	High	↗	↗
Regulatory/legislative risk	10	7	High	High	→	→
Risk associated with the lack of skilled labour	5	5	Environment	Environment	→	→
Risk associated with investment/maintenance works	2%	2	Environment	Environment	↗	→
Project risk (U3 & U4, SMR, Cobalt, U1 & U2 refurbishment)	8	8	Environment	Environment	↗	→
Subsidiary development and assimilation CNU, EnergoNuclear, Nuclearelectrica Serv, RoPower	5	2	Environment	Environment	→	→
Total risk profile	100	100	Medium	Medium	→	→

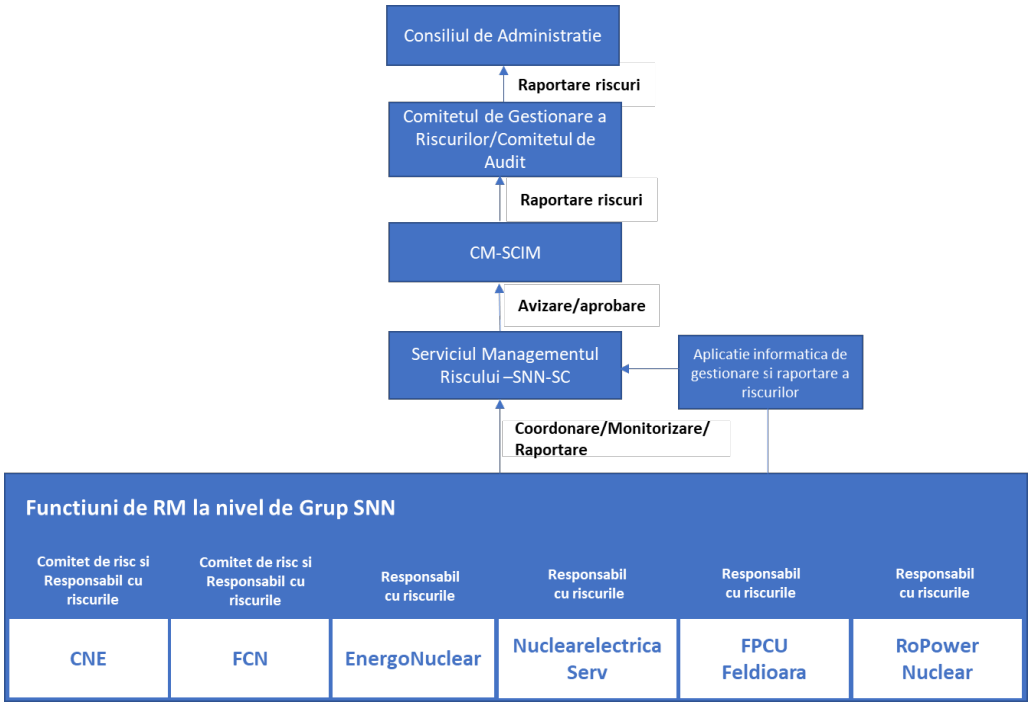
The SNN **risk tolerance limit**, expressed in score/rating/risk exposure, is 14, with risks below this score being considered tolerable and those above this score being considered intolerable, both in accordance with internal risk management procedures.

To monitor significant risks (with a residual exposure greater than the tolerance limit set at 14), a Plan for the implementation of control measures is drawn up as part of the Risk Management Report, which is approved by the CM-SCIM and the company's CEO.

2. Internal risk management framework

In order to fulfil the mission assumed by the Management Plan, S.N. Nuclearelectrica S.A. has set and pursues its general objectives, sub-unit objectives and specific/departmental objectives over different time horizons at company level and at organisational entity level (e.g. branches, departments, divisions).

The organisational structure of S.N. Nuclearelectrica S.A. allows the department directly responsible for managing and coordinating the risk management framework to collaborate with all departments of the organisation and/or with entities within the SNN Group:



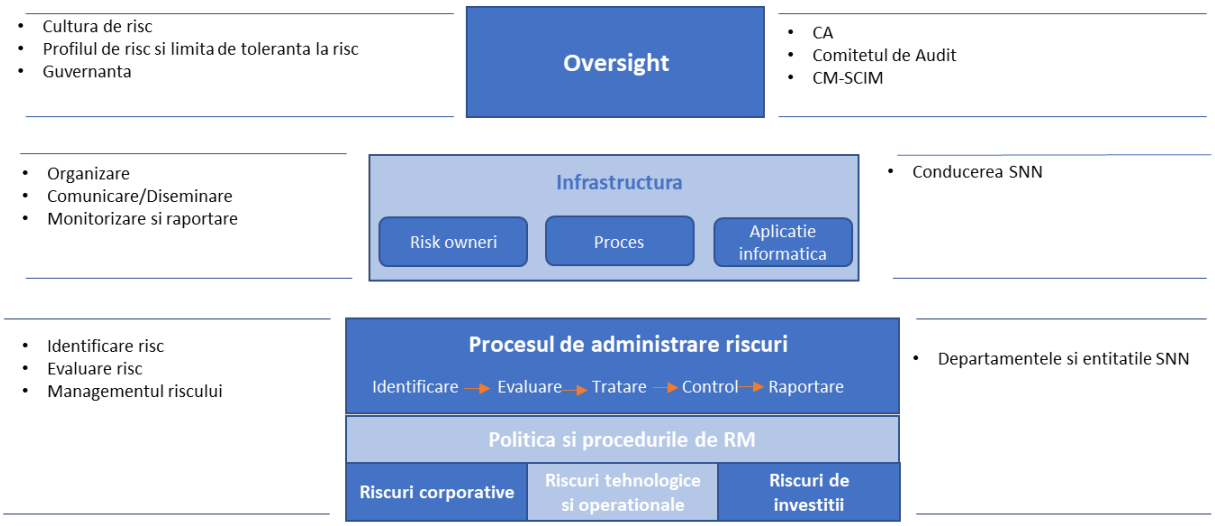
2.1. Overview of SNN risks

Effective risk management is essential for SNN Group companies to achieve their objectives, operate safely and securely, and maintain standards of excellence over the long term.

SMR's main responsibility is to develop the framework for effective risk management, to facilitate and oversee its implementation and application by the business function.

The Risk Management Department cultivates and promotes a risk culture and the application of risk management principles and procedures through its activities and through training sessions held with an audience (in person or online) or by creating training materials on SNN's internal professional training platform.

Risk Management Framework



In order to implement the RM framework, an appropriate infrastructure, trained personnel (risk owners), processes and technologies (IT risk management application) are required.

The risk management process is an integral part of the company's processes and activities. It can be applied at a strategic, operational, programme or project level.

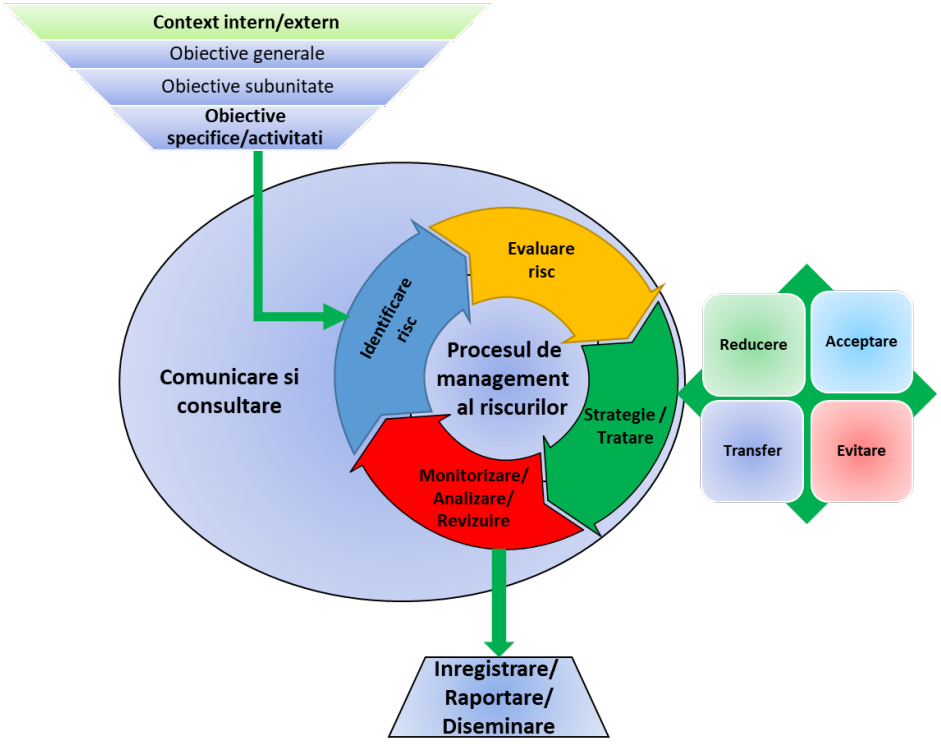
The principles, practices and policies of risk management, as well as the related IT applications, are applied/used uniformly in all entities of the SNN Group.

The risk register is a dynamic working tool. Any SNN employee can report risks to the Risk Management Service or the risk manager within their department, which are then analysed, entered and assessed by risk owners throughout the year. Reporting to CM-SCIM and stakeholders is done on a quarterly basis.

- The *corporate risks* mentioned in the diagram above refer to macroeconomic, business, credit, operational, market, climatic and geopolitical risks.
- *Technological and operational risks* are specific to the activities of electricity production and the management of the CNE Cernavoda power plant and the FCN Pitesti factory.
- *Investment risks* refer to project risk, refurbishment, maintenance works, investment works at SNN Group level.

The stages/activities of the risk management process, according to SR ISO 31000:2018, applied in SNN, are:

RISK MANAGEMENT



The external and internal context represents the environment in which the Company wishes to define and achieve its objectives. Risk management takes place in the context of the Company's objectives and activities.

Risks may arise, change or disappear as the external and internal context of the organisation changes.

Communication and consultation with appropriate external and internal stakeholders should take place throughout all stages of the risk management process.

Over time, changes may occur in conditions, circumstances, environments and/or risk control mechanisms, which is why all identified risks must be controlled by appropriate measures and monitored over time to identify any changes that may lead to a risk event and/or risk reclassification.

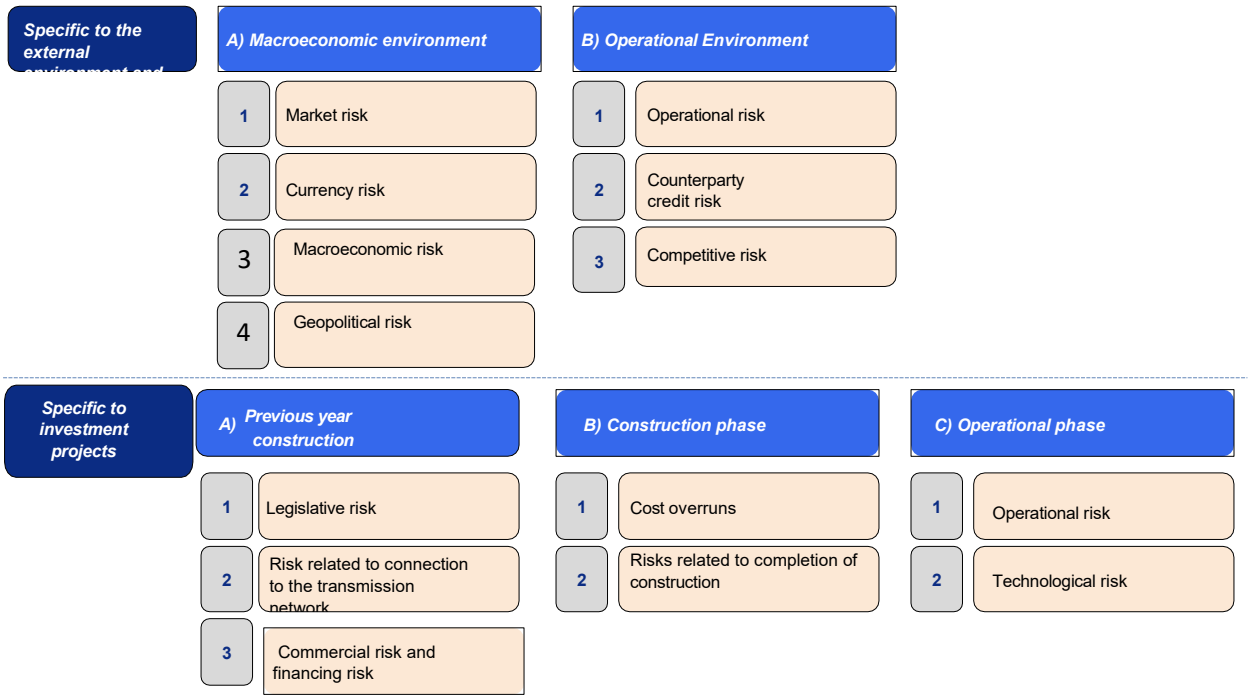
Periodic analysis focuses on aspects related to circumstances, the emergence of new risks, changes in impact or probability, the need to escalate decisions, the stage of implementation and the effectiveness of control measures.

The risk management process is a continuous and cyclical process with the following characteristics:

- It improves performance and contributes to the development of the company;
- Supports the achievement of objectives;
- It must be integrated into company governance, including decision-making;
- Creates value;
- It is influenced by human and cultural factors;
- It is dynamic and responds to change;
- It anticipates, detects, recognises and reacts to changes promptly and appropriately.

SNN has established its main medium- and long-term strategies with a view to maintaining nuclear safety, continuous growth and increasing shareholder profits, with risk analysis being important in this context.

The figure below provides an overview of the risks from an environmental (macroeconomic and operational) perspective, as well as the specific risks of investment projects.



Source: SNN analysis

Risk owners, based on the risk methodology in force, classify risks into risk categories according to the internal analysis needs identified within the organisation and continuously adapt the classifications and reports on risk information according to these internal needs of the organisation's departments and the approaches and classifications used in other departments or functions within SNN.

The SNN has established mitigation measures for several risk subcategories, as follows:

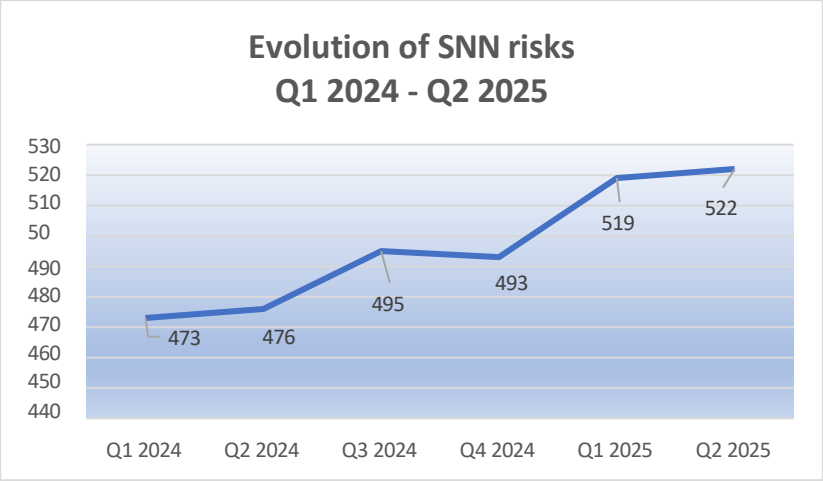
No.	Risk category	Mitigation method
1. Macroeconomic environment		
1.	Market risk	- long-term bilateral contracts with fixed prices or well-defined pricing formulas defined pricing formulas;
1.2	Legislative/regulatory risk	- use of the best technologies to ensure environmental sustainability; - 1.3
1.3	Currency risk	- negotiating price conditions that include currency risk
2. Operating environment		
2.	Commercial risk	- negotiating contracts for a period longer than 1 year with predefined prices; - policy for evaluating commercial partners; - exploitation of export opportunities.
2.2	Regarding costs	- concluding contracts to compensate for income from electricity production when reactors are shut down, thus anticipating unplanned activity stoppages.

2.3	Counterparty risk	- well-designed and detailed long-term contracts; - application of a rating system for parties with whom bilateral contracts are concluded; - guarantees (cash in the Company's accounts, letters of guarantee, binding letters of commitment, such as PCG – Parent Company guarantee).
2.4	Competitive risk	- continuous monitoring of markets; - application of a cost control policy.

3. Risk Management Service Results

Starting in 2018, the risk management function was reorganised at company level, incorporating and periodically analysing the risks identified and assessed by the structures in the Branches and Head Office. Sustained efforts to implement a risk management culture throughout the company, intensified specialist advice for those responsible for departmental risks, and the organisation of training courses on risk management topics have led to the development of the skills of those responsible for the correct application of the risk management methodology. The result of the actions taken is highlighted by the evolution of the risk components, namely in the case of average exposure, there is a downward trend for both inherent and residual risks, as well as a significant decrease in average residual exposure, which demonstrates that the identified risks were carefully assessed and monitored, and the actions taken to mitigate them were efficient and effective. Thus, SNN has succeeded in meeting its economic and financial objectives and indicators, with unprecedented results in recent years.

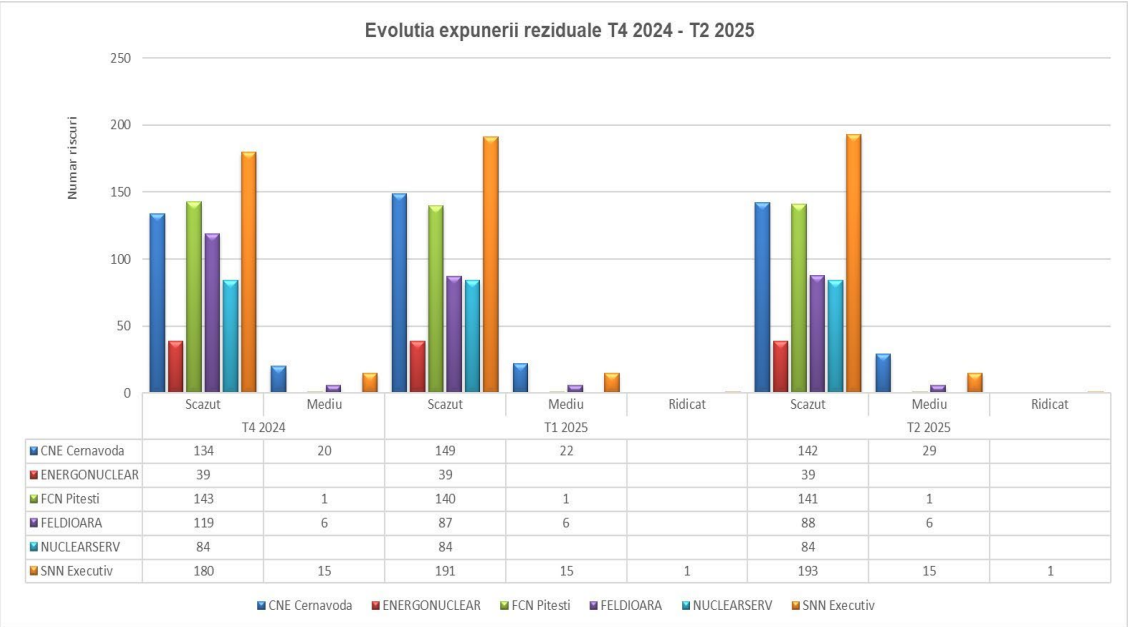
At the end of Q2 2025, the number of SNN risks is 522, to which are added the risks of EnergoNuclear (39), Nuclearelectrica Serv (84), FPCU Feldioara (94), and the risks related to major projects (CTRF – 45, RT U1 – 11, SMR – 14, U3&4 –13, U5 – 7, DICA-3, CN-3).



Source: SNN analysis

The graph shows that the number of risks at SNN increases from one quarter to the next, which indicates that employee awareness is growing and that the company is taking a proactive approach.

The evolution of residual risk exposure for each unit in the SNN Group, starting with Q4 2024, is as follows:

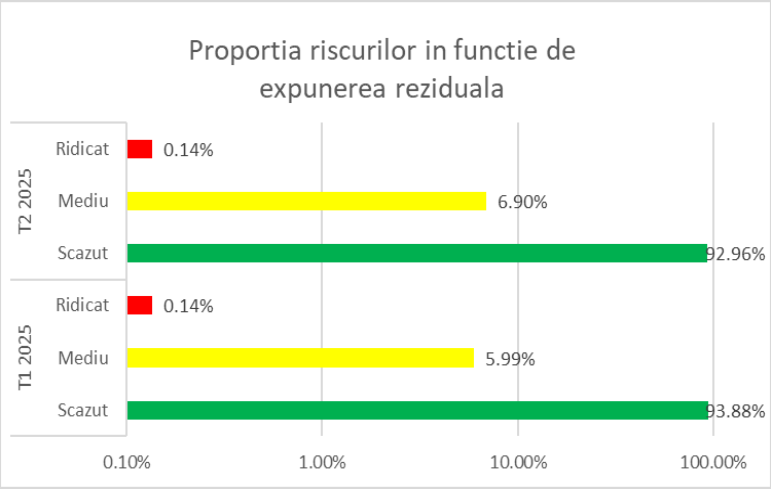


	T4 2024		T1 2025			T2 2025		
	Scazut	Mediu	Scazut	Mediu	Ridicat	Scazut	Mediu	Ridicat
CNE Cernavoda	134	20	149	22		142	29	
ENERGONUCLEAR	39		39			39		
FCN Pitesti	143	1	140	1		141	1	
FELDIOARA	119	6	87	6		88	6	
NUCLEARSERV	84		84			84		
SNN Executiv	180	15	191	15	1	193	15	1

Source: SNN analysis

Analysing the dynamics of risks at SNN Group level, it can be seen that in most entities, in H1 2025, the number of risks and residual exposures are relatively constant. Changes from one quarter to another are seen at CNE Cernavoda, where the evolution of risks is influenced by various factors (technical, operational, geopolitical context, etc.).

In terms of the proportion of risks based on residual exposure, at SNN level, it can be seen that over 90% of risks have low exposure and only 0.14% (1 single risk) have high exposure, above SNN's risk tolerance limit, for which mitigation measures are established. These results demonstrate that the risk management process is effective and that the continuous monitoring of actions and control instruments leads to continuous improvement of results and the prevention of significant risks.



Source: SNN Analysis

The Risk Management Department is committed to the continuous improvement of the risk-based organisational culture. Through the implementation of proactive practices and the continuous education of those involved in the risk management process, the Company has seen an increase in the efficiency of the process of identifying potential risks.

3.1 Stages of development of the risk management function at SNN SA

2018 and earlier	2019	Future
▪ **Risk management based on risk sheets and risk register** - Departmental/branch organisation - Branch risk registers - Branch risk committees - Hierarchical reporting (down-top) - Aggregation/centralisation of information in SMR ▪ **Counterparty risk assessment commercial** - Reports and risk limits	▪ **Risk management with software application** - Centralised organisation and management at the level of organisation - Single risk register - Predefined functionalities and reports - Correlation of risks – threats – vulnerabilities ▪ **Establishment of risk profile and risk tolerance limit** ▪ **Commercial counterparty risk assessment** - Reports and risk limits ▪ **Bank/insurer counterparty risk management** ▪ **Verification and monitoring of guarantees issued in favour of SNN** ▪ **Investigation of counterparties from a sanctions perspective** ▪ **Analysis/involvement in strategic projects** ▪ **Other risks monitored/analysed**: - Macroeconomic risk (domestic and international) - Market risk (including exchange rate) - ESG risk - Sensitive function risk - Demographic risk - Geopolitical risk/threats - IT risk (cyber risk) - Covid-19 risk - Project risk ▪ **Staff training**	▪ **Integrated risk and opportunity management opportunities** ▪ **Multi-company perspective** (Nuclearelectrica, EnergoNuclear, Feldioara, Nuclearelectrica Serv, RoPower Nuclear) ▪ **Increased digitisation of activities** (development of internal application for monitoring from the perspective of international sanctions)  ©2013, Committee of Sponsoring Organizations of the Treadway Commission (COSO). Used by permission.

3.2 Ongoing actions to improve the risk management process

In order to achieve the objective of developing and improving reporting, control and risk management capabilities, the adequate circulation of risk information for the purpose of making informed decisions from a risk perspective and carrying out operational activities with a good understanding of the risks to which they and the organisation are exposed, the SNN Risk Management Department has carried out and/or implemented a series of ongoing actions/measures, namely risk control mechanisms aimed at improving the overall risk management framework/system in place within the organisation, such as:

- The introduction of new risk categories into the periodic analysis, depending on the dynamics of business needs.
- Periodic review of counterparty risk for all counterparties with whom commercial contracts are concluded on the PC-OTC market and beyond.
- Implementing an internal process for applying international sanctions (restrictive measures) and investigating counterparties from a sanctions perspective.
- Generalisation of the use of risk registers in the implementation of strategic projects (RTH U1, SMR, U3 & U4, U5, DICA, CTRF) and in the conduct of SNN management meetings.
- Automation/digitisation of risk management processes through the internal development of applications for managing the flow of risk information at SNN Group level (MPR – Performance and Risk Management). The MPR application addresses the entire risk management process: viewing, adding, modifying/updating, returning, deleting and validating risks, providing an overview of the evolution of risks over time, monitoring the actions associated with them and generating reports of interest to company management.
- Automation/digitisation of the process of managing guarantee instruments issued in favour of SNN through the internal development of the AGNI application. The application addresses the following business needs: verification of guarantees issued in favour of SNN and issuer eligibility; management of information on guarantees and issuers; approval of derogations/exceptions regarding guarantees and issuers; reporting for guarantees registered in the application.
- Ongoing counselling of staff involved in the risk reporting process across the entire SNN Group;
- Increasing the level of competence of the Company's staff in risk management, both through participation in training courses and through the use of internal resources to conduct training sessions for SNN Group staff.
- Periodic review and/or recalibration/adjustment of risk management tools (e.g. internal procedures, algorithms and models, rating scales, risk profile, risk tolerance limit, operational and information flows).