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SNN

Internal Audit Strategy

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ABBREVIATIONS:

SNN – Societatea Nationala Nuclearelectrica S.A.

SNN Group - group of entities consisting of SNN branches and subsidiaries

FPCU Feldioara - Uranium Concentrates Processing Factory - Feldioara SRL

DAI - SNN Internal Audit Department

1. General

The SNN Internal Audit Strategy is elaborated based on the Global Internal Auditing Standard 9.2 - "Internal Audit Strategy" under Domain IV - "Managing the Internal Audit Function" of the International Professional Practices Framework (IPPF 2024) effective as of January 2025.

The Internal Audit Strategy presents the vision, strategic objectives and supporting initiatives aligned with the organization's strategic goals and direction, as well as the expectations of the company's board of directors and senior management.

The strategy is developed and reviewed over a medium time horizon (3-5 years), and together with the Annual/Multi-Annual Internal Audit Activity Planning (1-3 years), it assists the auditors and guides the internal audit function in fulfilling its mandate and mission.

2. Vision, mission and general objective

The vision of SNN Internal Audit is to become a trusted and proactive partner in promoting an environment of accountability and continuous improvement of organizational processes.

The mission of SNN Group's Internal Audit Department (DAI) is to provide advice and assurance on the effectiveness of risk management, control and governance systems, contributing to the achievement of added value and providing recommendations for their improvement.

DAI assists the management of the audited entity / audited structure in the achievement of objectives and provides objective and detailed assessments of the legality, regularity, economy, efficiency and effectiveness of the entity's activities and operations.

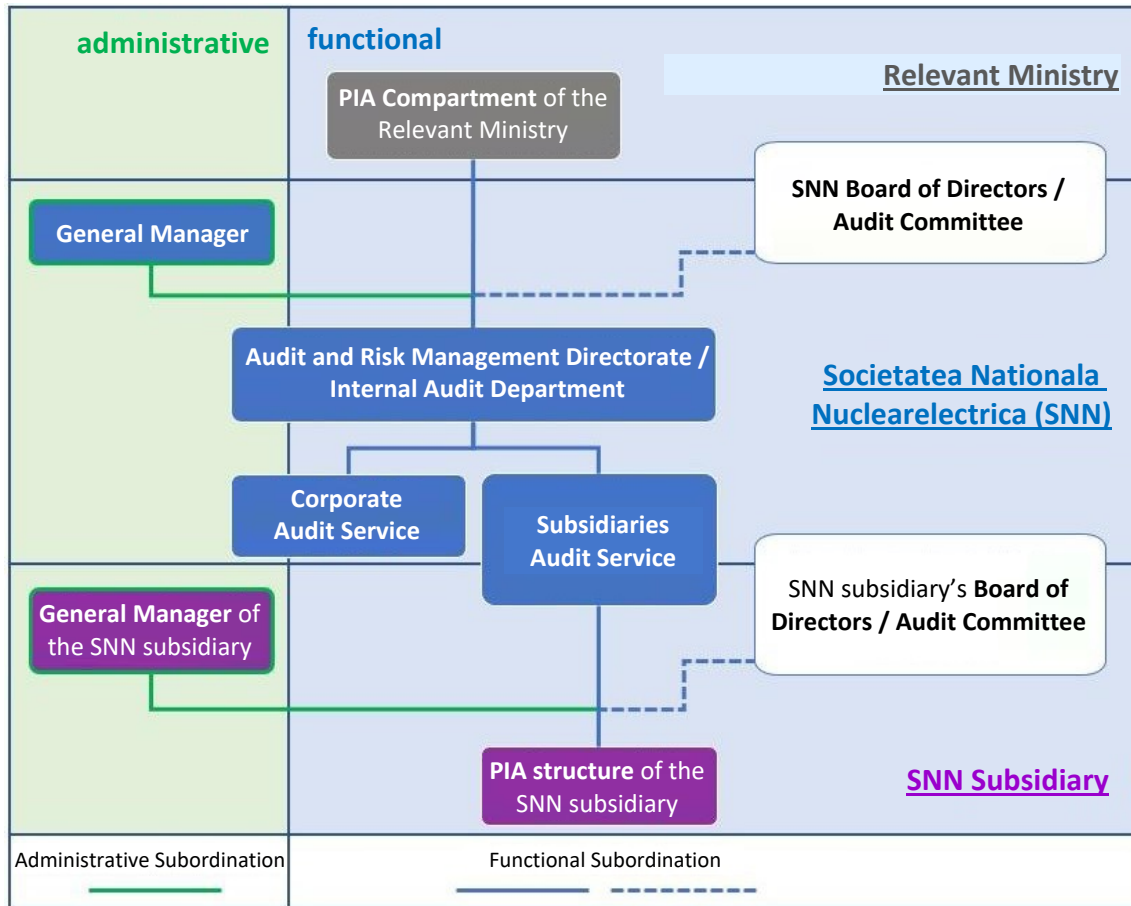
The internal audit objectives are set in such a way as to support the audited entity and structures in the following **directions**:

- a) ensuring good administration of public funds and safeguarding of assets;
- b) improving efficiency and effectiveness of operations;
- c) enhancing compliance with regulations;
- d) ensuring reliable financial reporting, accounting and IT systems;
- e) improving risk management, control and governance;

The general objective of the public internal audit (PIA) mainly aims at the improvement of the management of entities / audited structures by supplying:

- a) assurance activities which represent objective examinations of the evidence, made for the purpose of providing the SNN Group with an independent assessment of the risk, control and governance management processes;
 - b) advisory activities aimed at adding value and improving governance processes within the SNN Group, without the internal auditors assuming managerial responsibilities;
- subject to compliance with the fundamental principles of the internal auditor's **code of ethical conduct**: integrity, independence and objectivity, confidentiality, professional competence, and political neutrality.

The **independence** of the Internal Audit Department is ensured by the two-tier organization - functional and administrative, as illustrated in the image below:



The scope of activity and mode of operation of the internal audit are regulated legislatively (by Law 672/2002 and Government Decision 1086/2013) and internally by its own **Charter and Methodological Norms**, which are approved and endorsed by the higher administrative and functional bodies.

SNN Internal Audit Authority is established by its own Charter and confers DAI:

- the right to carry out public internal audit engagements to SNN branches and subsidiaries;
- unlimited access to all activities, documents and records of the company, as well as the right to request information and explanations it deems necessary to achieve its objectives;
- the right to seek the assistance of qualified persons from outside the company, if it does not possess the necessary knowledge, skills and other competencies to carry out the internal audit engagement.

3. Strategic objectives and supporting initiatives

1. **Increase audit footprint and coverage of relevant operations / activities within the SNN Group**

For a more efficient and specialized approach to the auditable scope, in line with the strategic and development lines of the SNN Group (subsidiaries and branches), the SNN Internal Audit Department has structured its work since 2023 so as to operate via two services:

- The Corporate Audit Service, which carries out internal audit engagements in the area of SNN - Bucharest Executive Office and Cernavoda NPP / Pitesti NFP Branches, including audit planning, follow-up of recommendations (action plans) and activity reporting (quarterly / annual);
- The Subsidiary Audit Service conducts the same types of engagements and actions:
 - o providing the internal audit function for the subsidiaries (with stand-alone legal personality) of the SNN Group, which have not set up their own functional internal audit structure (EnergoNuclear SA and Nuclearelectrica Serv SRL);
 - o coordinating the work of the internal audit functions operating in the subsidiaries that have set up their own internal audit structures, covering (where appropriate) the need for additional human resources (Internal Audit Service within the FPCU Feldioara SRL subsidiary);

ensuring and maintaining a unitary methodological and reporting approach at SNN Group level.

Medium-term action (3 years):

Through the activity planning process, DAI will aim to perform an average of 2 internal audit engagements per entity (branch / subsidiary within the SNN Group) per year.

2. **Alignment with the priorities, needs and changes in the organization's business environment**

In order to optimize the relevance of the internal audit activity and its potential added value, the planning of the internal audit activity is based on the risk assessments associated with the auditable activities.

The selection of internal audit engagements for inclusion in the plans is based on:

- a) assessing the risk associated with different processes, activities, projects or operations;
- b) signal criteria, suggestions and recommendations of the General Manager, the Board of Directors or the Romanian Court of Accounts;
- c) the engagements recommended by the public internal audit compartment at the higher hierarchical level, for which the heads of the public entities are responsible to take all organizational measures to ensure that they are included in the plans, carried out in good conditions and reported within the established deadline;
- d) deficiencies previously found in audit reports or reports of the Court of Accounts / reports following the inspections of other control bodies / assessments of specialists, experts / other information and indications of malfunctions or misconduct;
- e) number of entities subordinated / coordinated by SNN Group (branches and subsidiaries);
- f) frequency of audits, 4 years rotation and coverage (each relevant activity at least once every

- 4 years);
- g) types of audit;
- i) available audit resources.

Approximately 80% of the internal audit plans are composed of nominally scheduled engagements (individualized by topics, with specific objectives and periods audited and specific execution periods), while 20% of the plans and resources are reserved for non-individualized assignments, to accommodate ad-hoc requests from the SNN management during the year or assignments triggered by complaints received through the irregularity reporting channels.

Medium-term action (3 years):

DAI will maintain the 20% of resources to fulfil ad-hoc complaints and requests, thus accommodating changing priorities, risks and assumptions of the SNN business environment. Reserve assignments will be proposed in the DAI activity plans to address the situation where ad hoc assignments are not requested.

3. Continuous improvement of internal auditors' skills

Internal auditors receive continuous professional training to acquire the necessary skills and knowledge to carry out audit plans and to be able to perform a wide range of assurance and advisory assignments. Also, in order to become valuable and trusted partners to the company's management, internal auditors develop their analytical and communication skills to be able to provide valuable and practical recommendations that contribute to increasing efficiency and achieving organizational objectives. The DAI staff collectively hold national and international certifications through management and executive personnel (e.g.: Public Internal Auditor, CIA, CRMA, ACCA, Financial Auditor, Chartered Accountant, SMAM Certified Auditor, Quality Auditor), being members in professional organizations (e.g.: AAIR, IIA, ACCA, CAFR, CECCAR) and having an average experience in internal audit of more than 15 years.

Long-term action (5 years / permanent):

In order to comply with the legislative requirements and to maintain the acquired certifications, DAI will aim to ensure a minimum of 15 days / auditor / year of training for the improvement and professional development of internal auditors, with priority on topics useful for the implementation of approved activity plans, by attending individually or collectively organized professional courses.

4. Improving the quality of audit deliverables and services

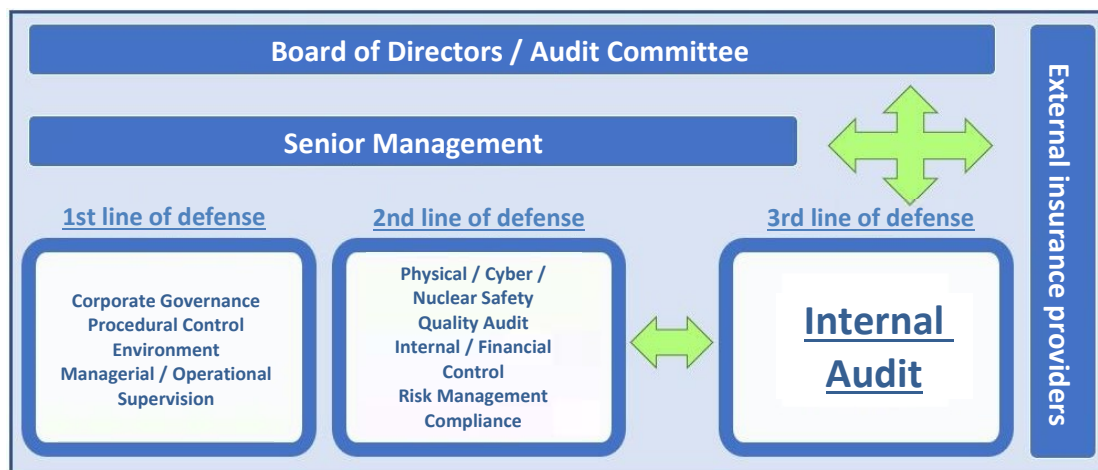
Audit deliverables are the result of a process involving continuous supervision and 360-degree validation for quality assurance and improvement. The communications and audit reports are supervised based on the 4-eyes principle, and the final versions are agreed with the audited structures in order to validate the evidence and eliminate any errors or misinterpretations of the processed information. The performance of the auditors and of the internal audit structure includes indicators that encompass the audited structures' feedback and perceptions with regard to the approach, behaviour of the auditors, acceptance of recommendations and the added value brought by the audit process.

Long-term action (5 years / permanent):

Beyond the mandatory methodological requirements (internal supervision, validation with the audited structures, quality assurance and improvement program) DAI will keep as quality performance indicators "Degree of acceptance for audit recommendations" and "Auditee feedback questionnaire" as tools for surveying and adjusting the quality of its own activity.

5. Increasing the visibility and usefulness generated by the internal audit process

According to the 3 lines of defence model, internal audit is a structure that supports the organization's efforts to meet its objectives and is an important tool for improving the internal control and risk management system. In its role (as the third line of defence), internal audit maintains an efficient communication and collaboration with the Board of Directors, the company's senior management, as well as with the operational management (first line of defence) and the other internal control functions (second line of defence), including those external to the company (external audit, the Romanian Court of Accounts, other control bodies).



Through its regular communications, internal audit assists the Board of Directors in exercising its supervisory role by providing objective and detailed assessments of the control and risk management environment.

Long-term actions (5 years / permanent):

- DAI will coordinate and adapt its activity plans with the announced actions of the other internal or external control structures in order to avoid redundancy of assurance / control on the same topics or overloading the same staff with concurrent assignments, even if in different areas of responsibility.
- In order to comply with the legislative requirements (Government Emergency Ordinance 109/2011 updated as of July 2023), the annual and multiannual plans, engagement reports, as well as the annual reports on internal audit activity will be submitted for the approval of the Board of Directors, after endorsement by the SNN General Manager and the Audit Advisory Committee.