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Penly 3's JV
Detailed governance organisation

1) General principles

The Project Company (hereinafter referred to as "PC") is the investor and owner of the Penly 3 NPP and EDF is the nuclear operator. The PC funds and monitors the construction, operation and decommissioning phases.

- EDF holds 50% - plus one share of PC share capital;
- GDF-Suez holds 25% - plus one share of the capital;
- Total holds 8.33% of the capital;
- Other Venturers may be associated by EDF through the remaining 16.66%portion of capital;
- EDF SA is the nuclear operator of the NPP Penly 3. The PC will conclude a contract with EDF for the construction, operation and decommissioning of the plant; EDF is the sole contact to liase with French Nuclear Safety Authority (ASN) and the Public Authorities for Penly 3 and assures all Venturers total transparency with regard to these relations;
- Each Venturer benefits from access rights to the electricity produced;
- The PC is a simplified joint stock company (SAS : Société par Actions Simplifiée), subject to tax and financial validation from the "stock corporation" format rather than the "partnership" format - a preferred option given its flexibility in terms of organisation and operations.

2) Construction and operations at Penly 3

To meet the governance rules defined below:

- The PC appoints EDF to construct Penly 3 through a contract for execution, Engineering, Purchasing and Construction.; EDF acts as "*Architecte Ensemblier*" and Nuclear Operator, and, more specifically it:

- Leads and conducts administrative procedures, particularly public debates and licence applications,
- provides a technical definition of the plant, its operations and its resources based on the reference plant unit represented by Flamanville 3,
- manages the design, construction and pre-operation phases and
- completes and coordinates purchasing activities.

Similarly, the PC concludes a contract with EDF to operate and to decommission Penly 3. EDF:

- defines and implements policy in terms of i) maintenance and operations, ii) fuel management, iii) subcontracting, iv) outage scheduling, and v) safety,

- completes the final decommissioning and dismantling of the plant.

3) Venturer involvement is guaranteed at two levels:

- within the PC, through its governing bodies (see Section 4 below),

- within EDF SA, by involving staff in the project management and operation teams (see Section 5.1) and in the plant management and operations (see Section 5.3), upon Venturer's request.

Furthermore, the Venturers have access to information contained in the project's technical documentation, in accordance with the methods set out in Section 7.2.

4) PC's governing bodies

4.1 Chair

Since it is a simplified joint stock company, the PC is chaired by a Chairman appointed further to an EDF proposal.

4.2 Executive Committee

An Executive Committee is also created for the PC, composed of the Chairman and Venturer representative, the number of which is determined according to their stake in the PC. The EDF Project Director (see 5.2) is an Ex-Officio Member of the Executive Committee during the construction phase.

The Executive Committee exercises the following responsibilities:

- decisions to start project once authorisation is granted
- validates the initial data book of Penly 3
- validates the business plan proposed by EDF
- approves the two contracts executed between the PC and EDF (the "Engineering and Purchasing and Construction" contract on one hand and the "Operating and Maintenance" contract on the other),
- approves pluriannual budgets and annual accounts, completes periodic reviews of actual expenditure (quarterly during construction phase, twice-yearly during operating phase)
- monitors project progress during Construction , with particular focus on:
  - obtaining administrative authorisations and settling disputes
  - any technical difficulties encountered
  - development of critical path
  - controlling quality.

  Furthermore, every 6 months, the project Data Book is updated by the ”*Architecte Ensemblier*” and presented to the Executive Committee for validation.

4.3 General Meeting

With regard to the General Meeting, decisions or draft resolution falling within its field of competence according to the PC by-laws or the applicable law must be first submitted to the Executive Committee. The vote during the General Meeting concerned is made in accordance with the decision taken by the Executive Committee.

5) Project management

5.1 Project operational management

A Project Manager appointed by EDF is responsible for the operational management of the project in accordance with the guidelines set by the Strategic Committee (see Section 5.2 below). This covers the following activities:

- managing project design activities,
- request for proposals and contract management
- relations with the French Nuclear Safety Authority and public authorities for administrative authorisations
- cost control and cost optimisation
- on-site construction management, up to transfer to operator and
- preparing operating specifications.

The Project Manager and his team use professional resources, work methods, tools data bases documents from Nuclear Engineering Division of EDF.

Personnel integration coming from venturer in the teams related to the project is to be implemented, according to provisions to be specified at a later date.

5.2 Strategic Committee

A Strategic Committee is created and constitutes the coordinating authority within EDF for the project during the Construction. The Strategic Committee includes representatives from venturers. It is chaired by the EDF Project Director; the Project Manager is an Ex-Officio Member of the Strategic Committee.

Based on information prepared and distributed by the project team, the project manager's role consists of:

1. examining strategies and the main technical options, costs, general schedule (key dates) and project progress with associated risks

2. monitoring progress of administrative procedures

3. preparing procurement contract award for values higher than €[xx] million, for decisions to be taken by the Project Director,

4. reporting to the Executive Committee each three months progress of project and half-yearly developments to Data Book

5. examining any subject with which he is referred to or notified of by the Project Manager, with a view to making recommendations (if required) to the Project Director or the Executive Committee.

The Strategic Committee meets whenever necessary, and at least once a month; the Chairman convenes the meeting and sets the agenda.

5.3 Conduct of operations

In accordance with the O&M contract concluded between the PC and EDF, operations are managed by EDF, who will offer operational positions to the Venturers. Upon commercial operation of the Plant, the Strategic Committee discontinues its activities, and the Plant Management is in direct contact with the Executive Committee.

6) Decision making process

6.1 Principles

The decision making process described below aims at proposing a system to protect the interests of all Venturers, with emphasis put on the efficiency and rapidity, both of which are critical to the success of a nuclear power plant such as Penly 3.

6.2 Strategic Committee

During Strategic Committee meetings, the Chairman, having considered the opinions of other members, takes any required or appropriate decisions to help the Construction Phase progress correctly, within the scope of its prerogatives. These decisions are subject of a decision report distributed to all Venturers.

6.3 Executive Committee

Decisions that fall within the scope of the Executive Committee are taken according to a simple majority, apart from those pertaining to:

1) significant changes to the project during the construction phase, in the Costs-Scheduling-Performance fields, which constitute the "Reserved Matters": such decisions are taken according to a qualified majority of 2/3 of the Venturers (see list below),
2) any significant e development statuary related to the PC(to be defined).

The Reserved Matters, restricted to the Construction Phase, concern the approval of:

(1) (i) the overall preliminary budget for the Construction Phase ("Overall Preliminary Budget"), and (ii) approval of overshoot in the Overall Preliminary Budget of more than €**[xx]** million;

(2) deviation of more than [xx] months compared to preliminary schedule ("Preliminary Construction Schedule");

(3) future performance reduced at the plant, triggered by a action causing reductions (purposeful or otherwise) (i) of the nominal net power output of more than **[xx]** MWe compared initially anticipated power levels, or (ii) of preliminary efficiency of more than **[xx]** points compared with that initially anticipated, or (iii) the preliminary availability of more than **[xx]** availability points ("Kd") compared with the initially anticipated availability levels.

Regarding Reserved Matters and significant developments statutary related to the PC, if the Venturers do not reach a 2/3 majority during the first Executive Committee meeting, a second meeting is convened with the same agenda. If a qualified majority still cannot be reached during the second meeting, the vote of the PC Chairman shall prevail and the vote will be carried according to a simple majority.

7) Various provisions:

7.1 General principle "at risk, at cost"

The general principle applicable to all Venturers is an "at risk, at cost" participating interest. This principle makes it possible for PC to benefit from the economic conditions to which EDF has access to complete and operate its EPR projects. However, this principle is accompanied by financial responsibility of the Venturers towards the PC, which is limited to their participation level. Moreover, EDF shall be released from liability to Venturers as "*Architecte Ensemblier*" and Operator.

All investments and operating costs are funded from the Venturers according to their participating interest. This contribution is used to constitute the shared capital or to fund the PC's bank account with the exclusion of any bank financing.

In principle, all risks are shared proportionally between the Venturers, including risks that are not directly linked with the construction and operation of the facility. The PC bears any costs, on behalf of the Nuclear Operator, resulting from a capital provision to funds for dismantling and final storage of radioactive waste.

In its capacity as owner, the PC defines its damage insurance policy and bears the costs legally required to cover his nuclear third-part liability as Nuclear Operators.

The Venturers have, at their own cost, a right to audit any construction and pre-operation costs (accounting and financial audit) provided that is has been heard in advance by the Executive Committee. The implementation methods for this right are set out in a specific agreement with EDF, particularly concerning the number of audits and their scope, as well as any assistance from professional audit practices.

7.2 EDF contribution and documentation rights of use

EDF's asset contribution to the PC must be paid by Venturers and particularly the following elements:

- The site itself, i.e. lease of land during the life of the project (EDF remains owner of the land) and the value of all facilities useful to the project (on-site excavation and transmission lines, intake channels, waste treatment building, raw water, etc.).

- Rights of use for project studies, pre-studies conducted and/or funded by EDF for the EPR (Basic Design) and for the Flamanville 3 project, which will be reused at Penly 3.

The use of these studies by a Venturer is subject to the following principles:

Access to documents produced by EDF[1], or made accessible to EDF[2], related to the design, engineering, construction, implementation and operations at Penly 3 is guaranteed without restrictions for any follow-up requirements of this project.

Use of these documents for any other nuclear project a Venturer may have, such as access to any existing technical documentation (e.g. SOFINEL contract) to which the Venturer would like to benefit, is subject to a lump sum to be negotiated with EDF (entrance ticket).

7.3 Construction costs

EDF payment for the construction contract comprise of two parts:

- "repayable" amounts for all external purchases, at their final cost based on the annual budget and on a monthly schedule, updated in the conditions defined earlier.
- lump sums for the Engineering part of the "*Architecte Ensemblier*", including services provided by SOFINEL.

7.4 Operating costs

The costs that are to be reimbursed within the scope of the operating contract are calculated on the actual costs incurred by EDF as NPP operator the (i.e. costs directly incurred by the plant, such as costs set out by EDF entities involved in engineering, operating or maintenance of Penly 3). A 20% factor representing EDF over-head costs shall be applied to direct costs.

7.5 Electricity supply

In consideration of the payments made by the Venturers to the PC, energy produced at Penly 3 is supplied to them in proportion to their participating interest in the PC. The payment made by the Venturers are deemed to cover all costs incurred during the operating phase, including tax bills paid directly or indirectly by the PC. If required, and for tax-related reasons only, a margin shall be applied thereon.

[1] within authorised limits set out by rules related to defence-related Top Secret and Classified Information
[2] subject to supply agreement