

***BOARD OF NOMINEES ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022***

I. THE ROLE OF THE BOARD OF NOMINEES

INTRODUCTION:

The Board of Nominees (“BoN”) of Fondul Proprietatea SA (the “Fund” / “Fondul Proprietatea”) is a body which does not have an equivalent correspondence in the corporate body structure regulated by the Companies’ Law no. 31/1990, was created in accordance with Article 224 para. (4) of National Security Commission’s Regulation no. 15/2004 (“*For concluding the administration contract in case of an investment firm which is not self-managed, and also for verifying the unrolling of this contract, the general shareholding can appoint representatives*”) and operates in accordance with the Fund’s Constitutive Act and the legal provisions in force.

The Board of Nominees consists of members appointed by the Ordinary General Shareholders’ Meeting (“OGM”) for a mandate of three (3) years, which upon expiry is automatically extended until the next OGM.

The members of the Board of Nominees shall be the persons designated by the Fund’s shareholders (and may themselves be shareholders) and shall hold adequate experience and qualifications to decide (if necessary, by assistance of an independent consultant) whether the transactions proposed by the Fund Manager, which require the approval of the Board of Nominees, are carried out for the benefit of the shareholders. The Board has a diligence and loyalty duty to the Fund, acting in the best interests of its shareholders.

The Board of Nominees shall meet at least quarterly. The convening of the meeting shall be made by the chairperson of the Board of Nominees (selected by the members thereof), by a member of the Board of Nominees or by the Fund Manager. The meeting of the Board of Nominees shall assemble within seven (7) days of convening. The resolutions of the Board of Nominees shall be passed statutorily with a quorum representing the majority of the total members thereof, with the vote of the majority of the voting rights held by the members of the Board of Nominees.

The main duties of the Board of Nominees are described in the Constitutive Act. The [current Constitutive Act](#) is published on the Fund’s website in section About the Fund – Fund Overview.

SHORT PRESENTATION OF THE BOARD OF NOMINEES’ ACTIVITY FOR 2022:

Composition of the Board of Nominees

The structure of the Board of Nominees as at 31 December 2022 was the following:

<u>Name</u>	<u>Position</u>	<u>Mandate expiring on</u>
Mrs Ilinca von Derenthall	Chairperson	25 November 2023

Mr Ciprian Lăduncă	Member	15 November 2023
Mr Nicholas Paris	Member	6 April 2024
Mr Ömer Tetik	Member	6 April 2024
Mr Martin Bernstein	Member	27 April 2025

Considering the fact that starting with 18 December 2021, Mr Mark Gitenstein has resigned from his positions held within the Fund's Board of Nominees and all consultative committees of the Fund, during 20 April 2022 Annual General Shareholders' Meeting ("GSM") shareholders decided to appoint Mr. Martin Bernstein as a member of the Board of Nominees, starting with the acceptance date of the mandate (*i.e.* 27 April 2022).

During this period, the Alternative Investment Fund Manager and Sole Director of Fondul Proprietatea was Franklin Templeton International Services S.à r.l. (the "*Fund Manager*").

Meetings & Relevant Decisions

In accordance with the provisions of Article 16 of the Constitutive Act of the Fund adopted by the Extraordinary General Shareholders Meeting Decision no. 5 of 29 November 2010, as subsequently amended and the provisions of Chapter III of the Regulation for organization and functioning of the Board of Nominees approved by the Board of Nominees' Decision no. 2 of 14 October 2010, as subsequently amended, there were twelve (12) meetings of the Board of Nominees in 2022, as follows:

- **1 February 2022 – ad-hoc video conference call** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)
- **24 February 2022 – meeting** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson (via video conference call), Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik (via video conference call))
- **24 February 2022 – meeting on portfolio update and portfolio investment strategy** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson (via video conference call), Mr. Ciprian Lăduncă, and Mr. Nicholas Paris)
- **22 March 2022 – ad-hoc video conference call** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)
- **25 March 2022 – ad-hoc video conference call** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)
- **19 April 2022 – meeting** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Ciprian Lăduncă, and Mr. Nicholas Paris)
- **10 May 2022 – video conference call** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Martin Bernstein, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)
- **30 June 2022 – meeting** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Martin Bernstein (via video conference call), Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)

- **15 September 2022 – meeting** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Martin Bernstein, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)
- **12 October 2022 – ad-hoc video conference call** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Martin Bernstein, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik)
- **14 November 2022 – meeting** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Martin Bernstein (via video conference call), Mr. Ciprian Lăduncă (via video conference call), Mr. Nicholas Paris (via video conference call), and Mr. Ömer Tetik (via video conference call))
- **15 December 2022 – video conference call** (Members of the Board joining the conference call: Mrs. Ilinca von Derenthall – Chairperson, Mr. Martin Bernstein, Mr. Ciprian Lăduncă, Mr. Nicholas Paris, and Mr. Ömer Tetik).

During 2022, the Board of Nominees issued a total number of nineteen (19) decisions. Among such, the most important resolutions referred to:

- ✓ The approval of the Fund Manager’s Annual Activity Report of Fondul Proprietatea SA for the financial year ended 31 December 2021 including the auditor’s report and the remuneration report of Fondul Proprietatea SA for 2021 financial year;
- ✓ The approval of the proposal of the Fund Manager of Fondul Proprietatea for the coverage of the negative reserve incurred during the financial year ended 31 December 2021;
- ✓ The approval of the proposal of the Fund Manager of Fondul Proprietatea with respect to the profit allocation;
- ✓ The approval of the proposal of the Fund Manager of Fondul Proprietatea with respect to the allocation of certain amounts to reserves;
- ✓ The approval of the proposal of the Fund Manager of Fondul Proprietatea regarding additional external audit fees for the financial year ended at 31 December 2021;
- ✓ The approval of the Annual Report of Board of Nominees, including the Review Report drafted by the Board of Nominees in relation to the Performance Report prepared by the Alternative Investment Fund Manager for the financial year ended on 31 December 2021;
- ✓ The approval of the continuation of its mandate as Alternative Investment Fund Manager and Sole Director and the approval of the Procedure to be observed for the selection of a new manager of Fondul Proprietatea S.A.;
- ✓ The approvals regarding General Shareholders Meetings held during 2022;
- ✓ The approval of the Fund Manager’s proposals for amending the Constitutive Act of Fondul Proprietatea;
- ✓ The recommendation to the Fund’s shareholders regarding the appointment of a member in the Board of Nominees;
- ✓ The approval of the Fund Manager’s proposal with respect the decrease of the subscribed registered share capital of Fondul Proprietatea;
- ✓ The approval for amending several procedures, guidelines, and policies;
- ✓ The appointment of new members of the Consultative Committees;
- ✓ The approval of the costs related to signing different arrangements for rendering various services to the Fund;
- ✓ The approval of the buyback programmes of the own shares issued by the Fund;
- ✓ The approval of Fondul Proprietatea’s 2023 budget;

- ✓ The approval of certain expense categories reclassifications / reallocations in the Fund's 2022 Budget.

SHORT PRESENTATION OF THE CONSULTATIVE COMMITTEES OF FONDUL PROPRIETATEA

At Fondul Proprietatea's level, two permanent Consultative Committees are established, in accordance with the applicable legal provisions in force, namely:

- The Audit and Valuation Committee of Fondul Proprietatea ("AVC")
- The Nomination and Remuneration Committee of Fondul Proprietatea ("NRC")

➤ Overview of the activity performed by the Audit and Valuation Committee of Fondul Proprietatea during 2022

Introduction:

A permanent Audit and Valuation Committee composed of at least three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of risk management, internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit allocation, and performs other activities under the new European audit regulation. In addition, the Audit and Valuation Committee analyses the proposal for appointing the independent financial auditor, who is appointed by shareholders at an OGM.

The Committee also supervises the Fund's risk management strategy and its financial performance and assesses any issues brought to its attention by the internal auditor.

The Fund Manager reports to the Audit and Valuation Committee at least once a year on the internal audit plan and on any material relevant matters.

The Audit and Valuation Committee consists only of members of the Board and should be composed of at least three members. The majority of the members of the Audit and Valuation Committee should be independent. The majority of members, including the chairperson, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the committee should have relevant expertise concerning the application of the accounting principles or concerning the financial statutory audit, proved through supporting qualification documents in such fields.

The Audit and Valuation Committee must have the qualifications required by law in the area in which the Fund, as the audited entity, operates. The Chairperson of the Audit and Valuation Committee should be an independent non-executive member, being appointed by the members of the Audit and Valuation Committee or by the Board of Nominees.

Composition of the Audit and Valuation Committee

As at 31 December 2022, the structure of the Audit and Valuation Committee was the following:

<u>Name</u>	<u>Position</u>	<u>Mandate expiring on</u>
Mr. Ciprian Lăduncă	Chairperson	15 November 2023
Mr. Nicholas Paris	Member	6 April 2024
Mr. Martin Bernstein	Member	27 April 2025

During 2022, there were four (4) meetings of the Audit and Valuation Committee, as follows:

- **24 February 2022 – meeting** (Members of the AVC joining the meeting: Mr. Ciprian Lăduncă – Chairperson, Mrs. Ilinca von Derenthall (via video conference call), Mr. Nicholas Paris, and Mr. Ömer Tetik (via video conference call))
- **19 April 2022 – meeting** (Members of the AVC joining the meeting: Mr. Ciprian Lăduncă – Chairperson, Mrs. Ilinca von Derenthall, and Mr. Nicholas Paris)
- **29 June 2022 – meeting** (Members of the AVC joining the meeting: Mr. Ciprian Lăduncă – Chairperson, Mr. Nicholas Paris, and Mr. Martin Bernstein (via video conference call))
- **15 September 2022 – meeting** (Members of the AVC joining the meeting: Mr. Ciprian Lăduncă – Chairperson, Mr. Nicholas Paris, and Mr. Martin Bernstein).

➤ *Overview of the activity performed by the Nomination and Remuneration Committee of Fondul Proprietatea during 2022*

Introduction

A permanent Nomination and Remuneration Committee composed of at least three Board of Nominees members was established at the level of Fondul Proprietatea, to provide assistance to the governing bodies of the Fund in the area of nomination and changes in remuneration, being independent from the Fund Manager.

The responsibilities of the Nomination and Remuneration Committee are:

- drafting an annual activity report for the evaluation of its activity,
- analysing the reasons for which the changing of the Fund Manager is required, if necessary, and enfoldng the process for the appointment of a temporary Fund Manager, if the Fund Manager is removed from its position.
- elaborating a remuneration policy,
- presenting to the Board of Nominees an analysis regarding the implementation of the management agreement, and proposals regarding the remuneration of the members of the Board of Nominees making sure that these proposals are in accordance with the remuneration policy adopted by Fondul Proprietatea;
- leading the process for Board appointments and making recommendations to the Board.

For the fulfilment of its responsibilities, the Committee shall adopt proposals and recommendations and submit them for implementation to the Sole Director of Fondul Proprietatea and to the Board of Nominees.

The Committee will have the obligation to present reports to the Board of Nominees periodically or on the terms established by the Board of Nominees.

The Nomination and Remuneration Committee shall assist the Fund Manager in fulfilling its responsibilities.

The Nomination and Remuneration Committee consists only of members of the Board and should be composed of at least three members. The majority of the members of the Nomination and Remuneration Committee should be independent.

Composition of the Nomination and Remuneration Committee

As of 31 December 2022, the structure of the Nomination and Remuneration Committee was the following:

<u>Name</u>	<u>Position</u>	<u>Mandate expiring on</u>
Mr. Nicholas Paris	Chairperson	6 April 2024
Mr. Martin Bernstein	Member	27 April 2025
Mrs. Ilinca von Derenthall	Member	25 November 2023

During 2022, there were five (5) meetings of the Nomination and Remuneration Committee, as follows:

- **24 February 2022 – meeting** (Members of the NRC joining the meeting: Mr. Nicholas Paris – Chairperson, Mr. Ciprian Lăduncă, Mrs. Ilinca von Derenthall (via video conference call), and Mr. Ömer Tetik (via video conference call))
- **22 March 2022 – video conference call** (Members of the NRC joining the conference call: Mr. Nicholas Paris – Chairperson, Mr. Ciprian Lăduncă, Mrs. Ilinca von Derenthall, and Mr. Ömer Tetik)
- **10 May 2022 – meeting** (Members of the NRC joining the meeting: Mr. Nicholas Paris – Chairperson, Mr. Ciprian Lăduncă, Mrs. Ilinca von Derenthall, and Mr. Ömer Tetik)
- **15 September 2022 – meeting** (Members of the NRC joining the meeting: Mr. Nicholas Paris – Chairperson, Mr. Martin Bernstein, and Mrs. Ilinca von Derenthall)
- **19 September 2022 – ad-hoc video conference call** (Members of the NRC joining the meeting: Mr. Nicholas Paris – Chairperson, Mr. Martin Bernstein, and Mrs. Ilinca von Derenthall)

II. THE OPINION OF THE BOARD OF NOMINEES REGARDING ANNUAL REPORT FOR THE YEAR END 31 DECEMBER 2022:

ANNUAL ACTIVITY REPORT PRESENTED BY THE FUND MANAGER

The Board of Nominees, after reviewing the financial information and related statements set out in the Financial Information chapter of the Annual Sole Director’s Report for FY2022 and in the IFRS Financial Statements, Annex 1 of the Annual Sole Director’s Report for FY 2022, concluded that is satisfied that they correctly reflect in all material aspects the activity of the Fund during 2022.

OPINION OF THE EXTERNAL AUDITORS

The Board of Nominees has reviewed the Independent Auditor’s Report issued by Ernst and Young Assurance Services (EY) (“Audit Report”), which is presented together with the statutory financial

statements for the FY 2022. The Board has had the opportunity to discuss the report in detail with EY.

The Audit Report contains an unqualified audit opinion on the Fund's annual financial statements for the year ended 31 December 2022.

The key audit matters included in the audit report are valuation of unlisted equity investments.

Profit Appropriation Proposal and Coverage of the Negative Reserves

The Board reviewed all relevant sections from the Annual Sole Director's Report for the FY2022 related to the profit distribution and other equity elements. The Board of Nominees also reviewed and approved on 27 February 2023 all supporting materials prepared by the Fund Manager which were submitted to shareholders for approval during the 21 April 2023 Annual GSM (available on the Fund website at section *Investor Relations – GSM Information – GSM Documentation*).

2022 BUDGET COMPARED TO ACTUAL RESULTS

The Board of Nominees asked the Fund Manager to analyse the significant variances in the main categories of income and expenses of Fondul Proprietatea by comparing the budget for the year ended 31 December 2022 (approved by shareholders on 15 December 2021) to the audited actual results for the same period. The result of this analysis has been reviewed by the Board of Nominees, which is satisfied with the explanations given for any significant variances. The Board also reviewed, on a quarterly basis, the actual vs. budget interim analysis prepared by the Fund Manager.

The BoN noted that the detailed analysis of the 2022 Budget vs Actual Analysis is presented in the Fund's 2022 Annual Report. For more details, please see the Fund's Annual Sole Director's Report for FY2022 - *Annex 6 Actual versus Budget Analysis for year end 31 December 2022*.

III. PORTFOLIO INVESTMENT OF THE FUND:

THE BOARD OF NOMINEES OPINION REGARDING THE INVESTMENT POLICY OF THE FUND AND THE DEGREE OF COMPLIANCE WITH THE INVESTMENT POLICY AND ANY CHANGES AND ACTIONS THAT LEAD TO TARGETED RESULTS

The investment objective of the Fund is the maximization of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities, subject to legislation and regulations in force. Details of the investment policy can be found in the Investment Policy Statement ("IPS") and the Constitutive Act, on the Fund's website. The current IPS was approved by shareholders during the 15 December 2021 EGM and entered into force on 1 April 2022.

The Board of Nominees considers that during 2022, the Fund Manager was in compliance with the applicable investment policy adopted by the Fund. In addition, the Board of Nominees is satisfied with the Investment Policy Statement in its current form.

BOARD OF NOMINEES OPINION REGARDING PORTFOLIO INVESTMENTS DURING 2022

The Board holds frequent and detailed discussions with the Fund Manager regarding strategies and actions to maximize shareholder value. This includes developing a consistent approach for appropriate actions aimed at increasing the net asset value per share while simultaneously reducing the discount at which the Fund's shares and GDRs are traded on the Bucharest Stock Exchange and the London Stock Exchange, respectively. In particular, the Board noted that there was an increase in the discount and the Board continues to be supportive of the implementation of various Discount Control Mechanism techniques including daily buyback programmes, tender offers, returns of capital and dividends. The Board also discusses during its meetings with the Fund Manager potential strategies for unlocking the value of the individual unlisted investments. However, past performance is not a guarantee of future performance which can be influenced by various factors, as set out by the Fund Manager in the Performance Report.

BOARD OF NOMINEES OPINION REGARDING THE SIGNIFICANT TRANSACTIONS OF THE FUND FOR 2022

The Board of Nominees reviewed the significant transactions during 2022, as presented in the relevant sections of Fund's Annual Sole Director's Report for FY2022 and considered that these transactions were performed in the interest of the shareholders.

BOARD OF NOMINEES OPINION REGARDING KEY PORTFOLIO VALUATIONS DURING THE PERIOD

During 2022, the Fund continued to closely monitor the evolution of financial markets and that of the specific industries the unlisted holdings operate in for each NAV reporting date and whenever necessary, updates on the valuation of unlisted holdings were prepared in accordance with the International Valuation Standards, with the assistance of KPMG Advisory and Darian DRS.

Following the valuation updates throughout the year, the unlisted holdings portfolio increased by RON 1,977.1 million (14.9%) in the 31 December 2022 NAV compared to the 31 December 2021 NAV.

The Board of Nominees considers that the valuations were carried out in accordance with appropriate valuation methodology, procedures and international standards.

IV. BOARD OF NOMINEES OPINION REGARDING THE ANNUAL REPORT OF THE INTERNAL AUDITORS AND THE ANNUAL COMPLIANCE REPORT

The Board of Nominees has reviewed the internal audit reports prepared by Fondul Proprietatea's internal auditor, Mazars, and has been informed about the internal audit performed by Franklin Templeton Investments Internal Audit team, for the year ended 31 December 2022.

The overall objective of the report of the internal auditors was to assess whether the key risks relating to Fondul Proprietatea's operations are being managed in an appropriate manner and in compliance with applicable regulatory requirements and FTI policies and procedures.

The reports have not identified any major deficiencies regarding the design and effectiveness of controls which were subject to the internal audit work.

The Board of Nominees received and reviewed the Annual Compliance Report prepared by the local compliance officer, addressing the management of the compliance risk within the company / Fund.

The compliance report covered the activities performed by Franklin Templeton International Services S.à r.l. Bucharest Branch and Fondul Proprietatea in respect of compliance with applicable local rules and regulations and internal procedures.

No material compliance exceptions have been reported in 2022.

The Board of Nominees noted that the Financial Supervisory Authority conducted a general onsite inspection visit at Fondul Proprietatea during 16 August 2022 – 10 October 2022. The FSA closure letter received on 29 November 2022 confirmed that no deficiencies were found to determine the application of sanctions or the ordering of remedial actions.

In the opinion of the Board of Nominees, both the Annual Report of the Internal Auditors and the Annual Compliance Report have been prepared to an adequate standard.

V. THE GENERAL EVALUATION OF THE ACTIVITY OF THE FUND MANAGER FOR 2022

Considering the list of key 2022 highlights mentioned in the Annual Sole Director's Report for FY2022, section Overview of 2022, the Board of Nominees considered that the actions taken by the Fund Manager in an effort to meet the objectives of increasing NAV per share and reducing the discount level were appropriate and consistent with the interests of the Fund's shareholders.

VI. RECOMMENDATIONS FOR SHAREHOLDERS:

In view of the proposed points of the agenda of the annual GSM, the Board of Nominees recommends to shareholders that they approve all the proposals of the Fund Manager submitted during this meeting.

Please note that this report is the Annual Report of the Board of Nominees prepared on the basis of Article 17 of the Constitutive Act of Fondul Proprietatea.

The Board of Nominees
REVIEW REPORT

Pursuant to Article 9.4 of the Management Agreement effective as of 1 April 2022 (“**Management Agreement**”), the Fund Manager is obliged to submit to the Board of Nominees a report on its activities and performance in the Reporting Period (as defined above) (the “**Performance Report**”).

The reporting period covered by the Performance Report was 1 January 2022 - 31 December 2022 (the “**Reporting Period**”).

The Performance Report should include:

- a) reporting on the fulfilment of the Discount Objective as defined in the Investment Policy Statement (“**IPS**”);
- b) reporting on the fulfilment of the NAV Objective, as defined in the IPS;
- c) reporting on the fulfilment of obligations regarding Discount Control Mechanisms (“**DCM**”);
- d) a summary of the regulatory issues affecting the performance during the Reporting Period;
- e) a summary of market conditions affecting the performance during the Reporting Period;
- f) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the Reporting Period.

The Fund Manager presented its Performance Report to the NRC and BoN during the meetings that took place on 23 February 2023.

In accordance with its obligations under clause 9.6 of the Management Agreement in force, the BoN has reviewed the Performance Report and is submitting this Review Report for the information of shareholders of the Fund at their annual GSM on 21 April 2023. This Review Report covers the contents of the Performance Report and an evaluation of the performance of the Fund Manager, as well as any other factors considered relevant by the BoN to the decision of the shareholders at the GSM.

1) CONTENTS OF THE PERFORMANCE REPORT

The BoN considers that the Performance Report has been prepared with due care and contains all material relevant information.

2) EVALUATION OF THE FUND MANAGER’S PERFORMANCE

The Discount Objective

As set out in the Performance Report, the Discount range for the Fund during the Reporting Period was 2.14% – 39.41% closing the year at 20.39%. The Discount Objective, as defined in the IPS, is

to achieve a discount level of less than 15% during at least than 2/3 of the trading days in the Reporting Period.

In the period between 1 January 2022 and 31 December 2022, the share price discount to NAV varied between lower than 15% and above 15% for both shares and GDRs in all trading days. The average Discount for the Reporting Period was 21.6% for shares (22.4% for GDRs).

The Discount Objective has not been achieved.

During the Reporting Period, the Fund Manager undertook a number of actions aimed at reducing the Discount level and increasing demand for the Fund's shares. These actions are described on page 12 of the Performance Report and include the distribution of RON 2.27 billion to shareholders through dividend distributions and buy-backs, as set out on pages 14 and 15 of the Performance Report. The BoN supports these efforts by the Fund Manager to address the Discount level and increase demand for the Fund's shares. The BoN believes in employing diverse instruments to create liquidity for making cash distributions (including proceeds from portfolio disposals and dividends received from investee companies and the prudent use of a credit facility). The BoN continues to encourage the Fund Manager to make increased efforts to convert liquid portfolio investments into cash, given the Fund's persistent discount.

The NAV Objective

As set out in the Performance Report, the Adjusted NAV per share (as defined in the IPS) as at 31 December 2022 was RON 2.7167 and was higher than the NAV per share as at 31 December 2021, which was RON 2.2624.

The NAV Objective, as defined in the IPS, is to ensure that the Adjusted NAV per share at the end of the Reporting Period was higher than the NAV per share as at the end of the previous reporting period (*i.e.* 31 December 2021) and this has been achieved.

In the Performance Report, the Fund Manager has described factors contributing to the NAV evolution during the Reporting Period and also the most important actions it has undertaken to protect and enhance the value of portfolio companies.

The BoN continues to support appropriate shareholder activism implemented by the Fund Manager on behalf of the Fund at companies in which it has minority stakes and which are controlled by the Romanian State or other dominant investors in order to ensure that the companies are managed for the best interest of the shareholders. The BoN fully agrees with the Fund Manager's robust and consistent approach to corporate governance and its commitment to trying to ensure the recruitment of independent and qualified professional management teams and competent boards of directors at portfolio companies.

3) DCM ACTIVITIES

The BoN has noted the account of DCM activities by the Fund Manager, in relation to its obligations under the Management Agreement in force, as set out in the Performance Report.

4) REGULATORY AND MARKET FACTORS AND OTHER MATTERS

The Performance Report provides summary descriptions of the factors (regulatory, market and others) which the Fund Manager considers have had an impact on its performance in seeking to fulfil the two Objectives set out in the IPS. The Fund Manager conducts an on-going detailed analysis of the potential impact of the various sovereign risk factors. The BoN considers that the Fund Manager has set out a fair account of these factors and in appropriate detail and that all of them are relevant and useful for an assessment of the Fund Manager's performance in the Reporting Period.

5) SUMMARY CONCLUSION

Based on all relevant information available to it, the BoN considers that the Performance Report provides a fair and materially accurate account of the Fund Manager's performance during the Reporting Period in respect of the two above IPS Objectives and in respect of its fulfilment of its obligations as regards DCMs.

The BoN emphasizes that, in accordance with the Management Agreement and IPS in force, the Fund Manager's performance in the Reporting Period is being evaluated in this Review Report against the two above IPS Objectives and as regards its DCM obligations and not as measured against other possible benchmarks such as, for example, Romanian and frontier stock market indices or global stock market indices.

Based on its review of the Performance Report and its regular meetings and interaction with the Fund Manager, the BoN considers that the performance of the Fund Manager has been creditable during the Reporting Period and evaluates the Fund Manager's efforts and actions positively.

Mrs. Ilinca von DERENTHALL – Chairperson

Mr. Martin BERNSTEIN – Member

Mr. Ciprian LĂDUNCĂ – Member

Mr. Nicholas PARIS – Member

Mr. Ömer TETIK – Member
