

THE NOMINATION AND REMUNERATION POLICY OF FONDUL PROPRIETATEA SA

Effective as of 15 November 2018

The Nomination and Remuneration Policy (“*the Policy*”) of Fondul Proprietatea SA, a joint-stock company incorporated under the laws of Romania, qualifying as an alternative investment fund under Law no. 74/2015 on alternative investment fund managers¹, and as an issuer under Law no. 24/2017 on issuers of financial instruments and market operations, an entity supervised by the Financial Supervisory Authority (“*FSA*”), has been adopted by Franklin International Services S.à r.l., the Sole Director and Alternative Investment Fund Manager (“*the Fund Manager*”) of Fondul Proprietatea SA (“*Fondul Proprietatea / the Fund*”) and has been approved by the Fund Manager and by the Board of Nominees, in accordance with the Financial Supervisory Authority Regulation no. 2/2016 on the application of the principles of corporate governance by the entities authorized, regulated and supervised by the Financial Supervisory Authority (“*FSA Regulation 2/2016*”).

The purpose of this Policy is to set forth the corporate governance principles with regards the nomination and remuneration of the (i) Fund Manager, (ii) its permanent representatives (individuals appointed by the Fund Manager to represent it in Romania, in accordance with article 153¹³ of Companies’ Law no. 31/1990) (in Romanian “*reprezentanti permanenti persoane fizice*”) (“*Permanent Representatives*”), and of the (iii) Board of Nominees members, as stipulated under the Corporate Governance Code issued by the Bucharest Stock Exchange and of the FSA Regulation 2/2016.

In order to promote the development of the corporate governance subject to the application of the best practices and achievement of a prudent management, the management of the Fund should follow certain requirements underlying the application of corporate governance principles with respect the nomination and remuneration of executive management/senior management as defined by Article 2 para. (2) letters a) and d) of the FSA Regulation 2/2016², as follows:

¹ Fondul Proprietatea is a Romanian legal entity, set up as a joint-stock company, which is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed. Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114 (1) letter b) of Law No. 297/2004, as further amended and completed and qualifies as an Alternative Investment Fund as defined by Law no. 74/2015 regarding the alternative investment fund managers that implemented in Romania Directive 2011/61/EU on alternative investment fund managers, as amended (according to Article 2 of the Fund’s Constitutive Act in force)

² Article 2 paragraph (2) of FSA Regulation 2/2016:

For the purpose of this regulation, the terms and expressions below shall have the following meanings:

a) executive management/senior management – means the persons who, in accordance with the instruments of incorporation and/or resolution of the statutory structures of the regulated entity, are empowered to direct and coordinate its day-to-day business and invested with powers to engage the liability of the undertaking, i.e. the general director/managers appointed by the board of directors, for the monistic administration system, or the executive board appointed by the supervisory board, for the

- a) The remuneration policy shall be analyzed and set by the Board so that it corresponds to the business strategy, objectives and long-term interests of the Fund and that it covers measures for the prevention of conflicts of interest;
- b) The Board shall ensure that all commitments to remuneration are properly and responsibly structured and that the remuneration policies allow and promote an efficient risk management without leading to a risk-taking which may exceed the level of the regulated entity's risk tolerance;
- c) The remuneration policy shall be established based on a substantiated analysis of the individual performance of the person receiving the remuneration correlated to the collective performance of a prudent allocation of the Fund's expenses, as a regulated entity, where possible, and also in consideration of the avoidance of setting incentives which encourage excessive risk-taking;
- d) The level of the remuneration shall be established in close connection with the responsibilities and commitments of the duties;
- e) The existence of the procedure for the recruitment and selection of the Fund Manager and of its permanent representatives, appointed in accordance with article 153¹³ of Companies' Law no. 31/1990, and the members of the Board of Nominees, and the renewal of the existing mandates. Thus, the Fund shall ensure that the permanent representatives prove that they have professional competence and experience relevant in accordance with the activity carried out and appropriate for the duties assigned, knowledge of the applicable legislation and good practices, and that they are of good repute and integrity.

In order to comply with the legal provisions in force with respect corporate governance principles, Fondul Proprietatea's Nomination and Remuneration Policy shall be reviewed annually and /or when required.

Chapter I – The Remuneration Policy of the Fund Manager and of the Board of Nominees

A. The remuneration of the Fund Manager

1. Corporate Governance principles setting the remuneration of the Fund Manager

The remuneration of the Fund Manager of Fondul Proprietatea is part of the Management Agreement negotiated with the Fund Manager and approved by shareholders.

two-tier administration system; the persons who direct the compartments and secondary offices of the regulated entity shall not be included in this category;

d) board – means the board of directors for the monistic administration system, and the supervisory board for the two-tier administration system;

The current remuneration of the Fund Manager which entered into force starting with 1 April 2018, is guided by the Management Agreement signed between Fondul Proprietatea and the Fund Manager on 14 February 2018 (the “*Management Agreement*”), as approved by the shareholders of Fondul Proprietatea on 14 February 2018 – (please see *Resolution no.1/2018 of the Fund’s Ordinary General Meeting of Shareholders published on the webpage of Fondul Proprietatea [here](#).*)

2. The description of the Fund Manager’s remuneration under the current Management Agreement, in force starting with 1 April 2018

The fees due to the Fund Manager are calculated in RON and invoiced and paid in Euro by Fondul Proprietatea in compliance with the following: the amount calculated in RON will be converted into Euro using the official exchange rate for RON to Euro published by National Bank of Romania in the last banking day of the period invoiced.

The fees shall be calculated as (i) a Base Fee, and (ii) a Distribution Fee, in each case as set out below and in respect of each Calculation Period.

1. Base Fee

A base fee (the “**Base Fee**”) shall be calculated as follows:

Base Fee Rate *multiplied by* the notional amount, *multiplied by* the number of calendar days during the applicable Calculation Period *divided by* 365,

where:

the “**Base Fee Rate**” = 60 basis points per year;

1 basis point = 0.0001; and

the “**notional amount**” is the market capitalization of Fondul Proprietatea, which is defined as:

- (a) the number of Fondul Proprietatea’s paid shares considered on daily basis, *minus*
- (b) the weighted average over the applicable Calculation Period of the number of Fondul Proprietatea’s settled own shares together with the number of Fondul Proprietatea’s equivalent ordinary shares represented by Global Depositary Receipts (“**FP GDRs**”), in each case where those shares or FP GDRs are held by Fondul Proprietatea as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of Fondul

Proprietatea's shares calculated for the applicable Calculation Period.

The “**weighted average market price**” shall be computed based on the daily average market prices of Fondul Proprietatea's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section.

If the number of shares relevant for the computation of the Base Fee described above in (a) and (b) changes over the Calculation Period, the Base Fee will be an aggregation of the computation for each sub-period.

“**Sub-period**” is defined as the number of days between two trading dates. The calculation in each subperiods starts on the settlement date of the first transaction (or the beginning of the mandate) and shall end on the date prior to the settlement date of the next transaction (or the end of the mandate).

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 65 basis points per year for the applicable days in the relevant period).

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is equal or below 15%, a further additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 70 basis points per year for the applicable days in the relevant period).

As the Base Fee (including any additional fee determined under the previous two paragraphs) is computed using the number of days in a calendar year (365 days), the Base Fee Rate used for non-trading days will be the rate applied for the prior trading day.

2. **Distribution Fee**

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period, a “**Distribution Fee**”): 100 basis points of distributions made available from 1 April 2018 up to and including 31 March 2020.

“**Distributions**” means:

- (i) repurchases of Fund shares;
- (ii) repurchases of Fund GDRs and/or Depositary Interests (“DI”);
- (iii) dividends; and
- (iv) returns of share capital.

The calculation of the Distribution Fee shall be made when such distributions become available

to shareholders. In case of a repurchase of own shares or of FP GDRs, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions or FP GDRs transactions are settled (i.e. settlement date).

For FP GDRs transactions, the Distribution Fee will be computed taken into account the official exchange rate published by the National Bank of Romania for the date of settlement of FP GDRs transactions.

Any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of the distributions made available will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager.

3. Payments

(a) The Base Fee shall be paid by Fondul Proprietatea quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is to be made.

(b) The Distribution Fee shall be paid by Fondul Proprietatea quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.

(c) The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depository.

(d) The Fund Manager shall provide to the Board of Nominees quarterly and on an annual basis and upon reasonable request of the Board of Nominees a detailed report regarding the fees collected under the Management Agreement, in the form reasonably required by the Board of Nominees.

(e) The payment of each fee shall be done within thirty (30) business days of the receipt of the applicable invoice.

4. Verification

The payment of the Base Fee and the Distribution Fee shall be arranged by the Fund Manager only after the verification and certification by the Depository of the correctness of the following amounts used in the calculation of those fees: the notional amount, the value of distributions, and all the other items used in calculation of the fees, as well as the methods for determining the fees.

3. Duration of the mandates of the Fund Manager, notice period and potential compensation for revocation without cause

The duration of mandate of the Fund Manager is two (2) years.

Fondul Proprietatea may unilaterally and at its sole discretion terminate the Management Agreement, at any time, on three months' prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of the Management Agreement. For the avoidance of any doubt, termination of the mandate and the Management Agreement will not entitle the Fund Manager to any Damages or the payment of any amounts other than the fees to be paid in accordance with the clauses above.

The Fund Manager may terminate this Management Agreement and resign its mandate with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the Board of Nominees, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new sole director and alternative investment fund manager. Such procedure will be prepared by the Fund Manager and agreed with the Board of Nominees before its submission to an OGM for approval.

In the event a termination notice is sent, the Fund Manager shall be paid on a pro rata basis with the duration of the provision of these services. For the avoidance of doubt, in such a case, the Fund Manager's, pro rata remuneration will be for a period of at least 3 months.

B. The remuneration of the Board of Nominees' members

1. Corporate Governance principles setting the remuneration of the Board of Nominees' members

The remuneration of the members of the Board of Nominees is approved by shareholders.

The current remuneration was approved on 14 February 2018, as detailed in–Resolution no. 5/2018 of the Fund's Ordinary General Meeting of Shareholders published on the webpage of Fondul Proprietatea [here](#).

2. Description of the remuneration of Board of Nominees' members

The gross monthly remuneration of each member of the Board of Nominees is RON 24,123 starting with 1 January 2018 and shall be paid in accordance with the provisions of the mandate agreement signed between the members of the Board of Nominees and the Fund. The format of the mandate agreement for the members of the Board of Nominees is approved by the Fund's Ordinary General Shareholders Meeting.

3. Duration of the mandates of the Board of Nominees' members, their notice period and possible compensation for revocation without cause

The mandate of the members of the Board of Nominees is of three (3) years, period to be extended by right, by the first meeting of the Ordinary General Meeting of the Shareholders. There is no notice period and no compensation for revocation without cause.

Chapter II - The recruitment and selection procedure for the Fund Manager and the Board of Nominees

According to the FSA Regulation 2/2016, Fondul Proprietatea, as an entity supervised by the FSA, shall have in place a procedure for the recruitment and selection of the Fund Manager, its permanent representatives, and of the members of the Board of Nominees, as well as certain provisions for the renewal of the existing mandates.

The recruitment and the selection procedure of both the Fund Manager and of the Board of Nominees of Fondul Proprietatea are set out under the Fund's Constitutive Act.

Thus, according to Article 12 paragraph (2) of the Fund's Constitutive Act, the Ordinary General Shareholders Meeting has, among its competencies, the following:

- to appoint the members of the Board of Nominees and to cancel their appointment;
- to appoint the Alternative Investment Fund Manager in accordance with the law and to cancel its appointment;
- to rule over the management of the Alternative Investment Fund Manager and to evaluate his/her performances and to discharge him/her from its management,

A. The procedure of the recruitment and the selection of the Fund Manager and its permanent representatives

As Fondul Proprietatea's management system is a unitary system, the ordinary general shareholders meeting has appointed a sole director and alternative investment fund manager, which is represented in in Romania by the individuals as permanent representatives appointed in accordance with Article 153¹³ of Companies' Law no. 31/1990.

Upon the appointment of the permanent representatives, the Fund Manager shall ensure that the individuals proposed to be appointed prove that they have professional competence and experience relevant in accordance with the activity carried out and appropriate for the duties assigned, knowledge of the applicable legislation and good practices, and that they are of good

repute and integrity.

The mandate of the Alternative Investment Fund Manager is of two (2) years. The Alternative Investment Fund Manager will call an Ordinary General Meeting of the Shareholders to be held at least six (6) months before the termination of the duration of the mandate of the Alternative Investment Fund Manager with the agenda of approving the renewal of the Alternative Investment Fund Manager's mandate or starting the selection process of a new Alternative Investment Fund Manager and the negotiation of the management agreement to be concluded.

B. The procedure of the recruitment and the selection of the members of the Board of Nominees

The procedure for the selection and the recruitment of the members of the Board of Nominees is set out under the provisions of the Fund's Constitutive Act.

Thus, Article 13 paragraph (8) mentions that: "In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders."

Further, Article 15 provides that the ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.

Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Alternative Investment Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Alternative Investment Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.

The mandate of the members of the Board of Nominees is of three (3) years, period to be extended by right, by the first meeting of the Ordinary General Meeting of the Shareholders.

The Board of Nominees elects from amongst its members its chairman.