

Related Parties Framework for Fondul Proprietatea

1. Scope

This document is intended to regulate the activities performed by Fondul Proprietatea SA (“the Fund”), in respect of Related Parties (“RP”), in accordance with Romanian legal requirements:

- (i) Identification of the Fund’s RP;
- (ii) Approval of the Fund’s transactions with RP;
- (iii) Reporting of transactions with RP.

2. Legal framework

As an entity whose securities are listed on the Bucharest Stock Exchange (“BVB”), the Fund is required to approve, report and subject to external audit its RP transactions as per:

- (i) Law 24/2017 on issuers of financial instruments and market operations (“Law 24/2017”);
- (ii) Financial Supervisory Authority (“FSA”) Regulation no. 5/2018 on issuers of financial instruments and market operations (“Regulation no. 5/2018”);
- (iii) BVB Corporate Governance Code.

The Fund prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”), which require disclosures of RP transactions as set out by International Accounting Standard IAS 24 Related Party Disclosures (“IAS 24”).

For the purposes of Romanian capital market requirements, the Fund is required to identify its Related Parties by reference to the definition set out in IAS 24, given that according to Law 24/2017 article 94 (g) and Regulation 5/2018 Annex 14, “related party” has the meaning set out in IFRS.

3. Definitions and criteria for identification of RP

The Fund identifies its RP by reference to the definition set out in IAS 24.9 (a) and IAS 24.9 (b), that include a multi-part definition of “related party”, as detailed below:

- **Individuals** who are related parties to the Fund - individuals that have control over the Fund/ have joint control over the Fund/ have significant influence over the Fund/ that are members of the key management personnel of the Fund/ close members of the family of an individual that is a related party of the Fund.
- **Entities** that are related parties to the Fund - members of the same group/ associates or joint ventures of the Fund, or the Fund is an associate or a joint venture of the entity/ joint ventures of the same third party/ a joint venture and respectively an associate of the same third party/ post-employment benefit plans for the benefit of the employees of the Fund or of an entity related to the Fund/ entities under control or joint control of certain categories of persons or close members of such a person’s family/ entities under significant influence of certain categories of persons or close members of such a person’s family (including a person who is a member of a key management personnel of the entity or of a parent of the entity)/ entities that provide key management personnel services to the Fund.

The RP list is prepared considering the definition of RP in IAS 24 and the guidance on the application of this definition available in the IFRS literature and considering the specific facts and circumstances currently

applicable to the Fund, including shareholding structure and governance arrangements. These criteria are not exhaustive and would be periodically reassessed, considering new facts and circumstances as they emerge.

4. Identification of RP

The Legal Department is responsible for maintaining the List of related parties, based on the feedback received from all relevant stakeholders. Each department is responsible for identifying potential RP of the Fund and notifying the same in consultation with Legal, Compliance and Finance departments, based on the information in this procedure.

The members of the Board of Nominees and of the consultative committees will be provided with the Fund's RP Procedure in order to be able to correctly identify the list of individuals and entities to be included on the Fund's List of RP. Legal, Compliance and Finance departments will assist them with any additional guidance regarding the identification of the relevant RP, when needed.

5. Transactions with RP

Definition

Transaction = any transfer of resources, services, or obligations, irrespective of whether this implies or not the payment of a price, and irrespective of the type of legal acts on which this is based.

RP transaction = any transaction concluded between the Fund and a RP of the Fund.

Identification and notification of RP transactions

Any persons that may engage the Fund in RP transactions will identify such potential transactions **before** they are actually concluded, so as these can be (1) approved and (2) reported as required by law.

Each department that intends to conclude a RP transaction will notify Legal, Compliance and Finance department as soon as possible with respect to any potential RP transaction in order to initiate the approval and reporting process for that RP transaction.

General principles regarding RP transactions

Compliance with arms' length principle

Arm's length transaction – A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests (*International Standard on Auditing 550 Related Parties – 10(a)*).

Any RP transaction concluded by the Fund will be in accordance with market conditions, at arm's length and applying the fair value principle.

RP transactions in the ordinary course of business

RP transactions in the ordinary course of business - although not specifically defined in IFRS or other applicable regulations, it is generally understood that "*in the ordinary course of business*" refers to activities, transactions, or events that are normal, routine, and expected as part of an entity's day-to-day operations.

Therefore, a related party transaction is considered "*in the ordinary course of business*" if:

- It is consistent with the Fund's principal activity (portfolio management); or
- It represents a recurring or expected transaction based on the Fund's past practices or normal operating cycle.

A related party transaction does not qualify as being performed "*in the ordinary course of business*" when:

- It occurs as part of unusual, infrequent, or incidental events; or

- Takes place under distress conditions – that is, one of the parties to the transaction is facing financial difficulties impairing its ability to meet its obligations as they come due (e.g. scenarios leading to default, restructuring, or liquidation).

Fair treatment of all shareholders

Any RP transaction will be made with due consideration to the interests of all Fund’s shareholders, including the shareholders that are not a RP to the Fund and minority shareholders. Also, any RP transaction will ensure equitable treatment of all shareholders and will prevent any RP from taking unfair advantage of its privileged position.

6. Approval process of RP transactions

Approval of the Fund’s RP transactions

The department involved in the negotiation of the RP transaction will liaise with Legal/ Compliance for obtaining the relevant approval as per below.

No RP involved in the transaction shall participate in the approval process of that RP transaction.

RP transaction value	Approval by
below 0.25% of Net Assets	Decision of the Sole Director of the Fund
between 0.25% of Net Assets and 5% of Net Assets	Decision of the Board of Nominees ¹
equal to or higher than 5% of Net Assets	Decision of the General Shareholder Meeting of the Fund

Where:

Net Assets = the net assets (shareholders equity) of the Fund as per the latest published IFRS financial statements (the Fund publishes IFRS financial statements on a quarterly basis)

Transaction value = the value of any transfer of resources, services, or obligations, irrespective of whether this implies or not the payment of a price, and irrespective of the type of legal acts on which this is based. The total amount includes any additional costs arising from the transaction – VAT, recharged expenses, other costs, etc.

7. Reporting

The reporting template is included in Regulation 5/2018, Annex 12.

Reporting of Significant RP transactions

For the purpose of this section:

Significant transaction = a transaction whose individual value is equal to or higher than 5% of the Fund’s Net Assets.

Significant RP transaction = a significant transaction concluded by the Fund with a RP of the Fund.

The following reporting requirements will be observed:

- The Fund will publicly announce in a **report**, a Significant RP transaction following its approval but no later than the date of conclusion;

¹ As per art. 21 (4) (xvii) of the Fund’s Articles of Association.

Reporting of RP transactions above 5% threshold on a cumulated basis

The following reporting requirements will be observed:

- The RP transactions concluded *during the last 12 months* or *during the current financial year* with the same RP, whose individual values are lower than or equal to 5% of the Fund's Net Assets are considered on cumulated basis from a reporting perspective;
- The Fund will monitor the cumulated value of the RP transactions lower than or equal to 5% of the Fund's Net Assets separately for the two intervals: (1) during the last 12 months and (2) during the current financial year;
- If the 5% threshold is exceeded as a result of **cumulating** individual RP transactions below 5% threshold on any of the two monitored intervals or if a new Significant RP transaction is concluded following one or more RP transactions whose individual and cumulated value is below 5% threshold, all previous unreported RP transactions (1) during the last 12 months/ (2) during the current financial year, depending on the case, are publicly disclosed together with the latest envisaged transaction in a **report**;

Reporting of Significant transactions between a Fund's subsidiary and Fund's RP

- The Fund will publicly announce in a report, a Significant transaction concluded between a Fund's subsidiary and Fund's RP in maximum **24 hours** since the transaction is concluded.

Auditor's report on transactions with RP

The following reporting requirements will be observed:

- If during the semester the Fund has published a report regarding the RP transactions carried by the Fund or by one of its subsidiaries, at the end of semester the Fund's financial auditor must prepare a **report**;
- The auditor's report will assess if the transactions were correct and justified from the issuer's point of view and that of the shareholders which are not RP to the Fund, including minority shareholders, explaining the assumptions and methods used;
- The auditor's report will state, if applicable, if the transaction price corroborated with the rights and obligations undertaken by parties is reasonable compared to other offers in the market. If the transactions are not performed at fair value, the reasons for this would be presented together with the policies for setting the price;
- The auditor's report has to be prepared in maximum **30 days** after the end of the respective semester;
- In maximum **24 hours** since the auditor's report is received, the Fund submits it to the FSA and BVB and publishes it on its website.

Exemptions from reporting and audit requirements

A significant RP transaction is exempted from the reporting and auditing requirements if the significant RP transaction qualifies under the requirements provided in Law 24/2017, namely:

- a) The significant RP transaction qualifies under ordinary course of business exemption; or
- b) The significant RP transaction is exempted based on other cases provided by Law 24/2017, Art 108 (10).

The person initiating the approval process will consult with Legal/ Compliance to assess whether the RP transaction is an exempt transaction falling in one of the following 2 types of exceptions.