

Appointment of financial auditor for 2017-2019

1. Overview of the main legal requirements

EU Legislation

- REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities;
- DIRECTIVE 2014/56/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;

The Regulation is applied to reporting periods beginning after 17 June 2016 (i.e annual reporting period starting 1 January 2017) and is directly applicable in all Member States.

National Legislation

- Law 162/2017 from 6 July 2017 on statutory audit of annual financial statements and consolidated annual financial statements (“the National Law”);
- FSA Norm 27/2015 on the financial audit of the entities authorized, regulated and supervised by the Financial Supervisory Authority, as subsequently amended by Norm 41/2016 (“the FSA Norm”);
- Companies Law 31/1990

Law 162/2017 is transposing the provisions of Directive 2014/56/UE and entered into force starting 15 July 2017.

The EU Regulation introduces new requirements for the selection of the financial auditor carried by a public interest entity, one of which refers to the maximum period for an entity to be audited by the same audit firm. The National Law and the FSA Norm on statutory audit introduce additional requirements and limitations on the maximum audit duration.

The Fund's financial auditor was in place starting 2007 financial year and was last appointed for the 2016 financial year. Given the new legislative requirements, the Fund organized a tender process for appointing the financial auditor.

In accordance with the provisions of the Companies Law 31/1990, the GSM is responsible for appointing the financial auditor and setting the minimum period of the audit contract.

2. Overview of the selection process

The Fund has undergone a tender process for selecting the financial auditor, for the audit of the statutory financial statements of the Fund prepared in accordance with International Financial Reporting Standards, as adopted by European Union (“IFRS”) and applying FSA Norm 39/2015 for the years ended 31 December 2017, 2018 and 2019.

For this purpose, a set of minimal pre-scoring criteria was set and applied to the list of authorized auditors published on FSA website. Following the pre-scoring analysis, the Fund sent out to eligible candidates a Request for Proposal („RFP”) laying out specific information required from candidates to be included in the proposal for audit services.

The evaluation of the audit proposals received was done based on the pre-defined set of criteria and scores were assigned to candidates based on the offers received and meetings held. The candidates selected for the final phase of the process were invited for meetings with the Audit and Valuation Committee and management of the Fund.

The entire selection and evaluation procedures during the tender process organized by the Fund were overseen by the Audit and Valuation Committee.

In selecting the financial auditor, the Fund Manager, Audit and Valuation Committee and Board of Nominees considered the shareholders best interests by recommending an audit firm of international reputation, able to comply with high quality professional services standards and having relevant experience in auditing the financial statements of entities regulated by the Financial Supervisory Authority and of similar investment funds or listed entities.

3. Recommendation to GSM

Following the evaluation process of the candidates' proposals and presentations, the Audit and Valuation Committee submitted their recommendation and preference to the Board of Nominees for the appointment of the financial auditor, for the period 2017-2019.

The Board of Nominees approved the recommendation and preference issued by the Audit and Valuation Committee and submitted for the approval of the GSM on 26 October 2017 the appointment of Deloitte Audit SRL as the financial auditor of the Fund for the audit of the financial statements of the Fund for 2017, 2018 and 2019 financial years, and the level of its remuneration for the financial audit services described above at a maximum level (without VAT) of:

- (i) EUR 74,000 + GBP 9,500 for auditing the said 2017 financial statements;
- (ii) EUR 83,700 + GBP 9,500 for auditing the said 2018 financial statements;
- (iii) EUR 75,300 + GBP 9,500 for auditing the said 2019 financial statements.