

## **Memo on Fondul Proprietatea's financial auditor appointment**

According to the Financial Supervisory Authority (FSA) Norm 13/2019 on the framework for statutory audit of the entities authorised, regulated and supervised by the Financial Supervisory Authority (FSA Norm 13/2019) the Fund should appoint the auditor for the financial year ended 31 December 2020 no later than 31 October 2019.

Also, according to FSA Norm 13/2019 the audit period of an entity by the same financial auditor is of maximum 5 consecutive years, period which may be extended only once by the FSA Board at the request of the audited entity accompanied by a recommendation from Autoritatea pentru Supravegherea Publica a Activitatii de Audit Statutar, for a maximum period of 2 years and the FSA Board would decide on the request.

In 2017 the Fund appointed Deloitte Audit SRL as its financial auditor for the period 1 January 2016 until and including the year ended 31 December 2019 (4 consecutive years).

Considering the above, the Sole Director of Fondul Proprietatea SA, Franklin Templeton International Services S.à r.l. prepared an analysis regarding the financial audit of the Fund starting 2020, taking into consideration all legal requirements related to audit services (both European and local regulations). The outcome of the analysis has been presented as a recommendation to the Audit and Valuation Committee of the Fund as follows:

1. The appointment of Deloitte Audit SRL as the financial auditor of the Fund for the financial year ended 31 December 2020
2. The appointment of Deloitte Audit SRL as the financial auditor of the Fund for the period 1 January 2021 - 31 December 2022, subject to FSA approval.

The Audit and Valuation Committee approved the two points above during the meeting held on 3 April 2019 and submitted their recommendation to the Board of Nominees. Please see Appendix 1 for details regarding the fees approved for Deloitte Audit SRL for the periods mentioned above.

Regarding point 1 above, the Board of Nominees approved the recommendation and submitted for the approval of the General Shareholders Meeting (GSM) of the Fund on 4 September 2019 the appointment of Deloitte Audit SRL as the financial auditor of the Fund for the audit of the financial statements of the Fund **for the financial year ended 31 December 2020** and the level of its remuneration at a maximum level (without VAT) of EUR 78,500 + GBP 9,800.

Regarding point 2 above, the Fund has submitted to FSA the request for extending the maximum 5-year period with another 2 years, and the process is ongoing at the date of calling the Fund's 4 September 2019 GSM. If FSA approval is obtained at a future date, the Fund would request the shareholder approval for the appointment of Deloitte Audit SRL for the period 1 January 2021 – 31 December 2022 during a subsequent GSM.

**Appendix 1 – The fees for Deloitte Audit SRL approved by the Audit and Valuation Committee of the Fund during the meeting held on the 3 April 2019**

Services	Fees
Audit fees current 2019, including UK financial statements review	75,300 EUR 9,500 GBP
Proposal of audit fee for statutory audit services (excluding VAT)	- FY 2020 – EUR 78,500 - FY 2021, 2022 – EUR 80,000 per year - GBP 9,800 annually for UK review. This does not include potential additional implications triggered by Brexit