

Amendment of the Management Agreement as requested by the Financial Supervisory Agreement

On 2 March 2022, the Financial Supervisory Authority (the “FSA”) requested Fondul Proprietatea SA (“Fondul Proprietatea” / the “Fund” / “FP”) to amend the management agreement concluded with Franklin Templeton International Services S.à r.l as sole manager and alternative investment fund manager entered into force starting with 1 April 2022 (the “Management Agreement”) to be in line with the provisions of the FSA Regulation no. 7/2020.

More exactly, the FSA requested that the Management Agreement be amended in terms of Chapter 10. Manager Remuneration and Expenses.

By way of background, as part of the alternative investment fund authorization process, FP submitted with the FSA the draft Fund Rules, which mirrored the provisions of the Management Agreement as approved on 15 December 2021, in terms of expenses borne by FP. However, for the authorization to be granted, the FSA requested that the Fund Rules are amended¹ to eliminate the type of expenses covered under letters (p) and (q) of Article 10.3 as described below. In FSA’s opinion they were too broad and consequently not in line with the provisions of FSA Regulation no. 7/2020.

Letters (p) and (q) of Article 10.3 of the Management Agreement:

(p) other expenses related to the activity of the Customer with an annual value that does not exceed €100,000 (including if the case, any value added tax and applicable withholding tax); and

(q) other expenses related to the activity of the Customer approved by the BoN in accordance with the Fund’s Constitutive Act (if their annual value exceeds €100,000 including if the case, any value added tax and applicable withholding tax).

Despite FP arguments that the amendment of the Management Agreement is not necessary, the FSA insisted that all documents must be aligned.

Thus, on 6 May, the Fund confirmed that the amendment of the Management Agreement will be subject to the next general shareholders meeting as scheduled.

The amendment of the Management Agreement to be in line with the FSA’s request consists of deleting the last two points of Article 10.3.

Franklin Templeton International Services S.à r.L, in its capacity of alternative investment fund manager of FONDUL PROPRIETATEA S.A.

Johan Meyer
Permanent Representative

¹ There were three submissions of these documents between the convening of the 2021 December GSM and the approval of the Management Agreement.