

To: **Bucharest Stock Exchange**
Financial Supervisory Authority
London Stock Exchange

Current report according to Article 99 (s) of the Code of the Bucharest Stock Exchange Market Operator, Title II, Issuers and Financial Instruments

Events to be reported:

The Financial Supervisory Authority Endorsement of the amendments to the Constitutive Act of Fondul Proprietatea SA

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch (“**the Investment Manager**”), in its capacity as investment manager of Fondul Proprietatea SA (“**the Fund**”), would like to inform shareholders that the Financial Supervisory Authority issued Endorsement no. **164 / 22 July 2020** (the “**FSA Endorsement**”), whereby it endorsed the amendments to the Fund’s Constitutive Act, as approved by the Fund’s Extraordinary General Shareholders’ Meeting Resolution no. 1 of 28 April 2020, except for the proposed amendments brought to Articles 14 para (2), 19 para (3) and 32 para (2).

Also, through the FSA Endorsement the following amendments approved by the Fund’s Extraordinary General Shareholders’ Meeting Resolution no. 1 of 28 April 2020 were changed by the Financial Supervisory Authority, namely Articles 28 para (2), (3) and (5) and 31 para (1) letter d), and they will be subject to a further Extraordinary General Shareholders’ Meeting of the Fund.

Please find the English translation of the FSA Endorsement enclosed in the Annex to this report. Also, please note that the Fund’s Constitutive Act in force can be accessed on the Fund’s webpage, at: https://www.fondulproprietatea.ro/files/live/sites/fondul/files/en/corporate-governance/Constitutive%20Act_24%20July%202020.pdf.

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch acting as Investment Manager of FONDUL PROPRIETATEA S.A.

Johan MEYER
Legal Representative

Report date:

27 July 2020

Name of the issuing entity:

Fondul Proprietatea S.A.

Registered office:

78-80 Buzesti Street
7th floor, district 1,
Bucharest, 011017

Phone/fax number:

Tel.: + 40 21 200 9600
Fax: + 40 21 200 9631

Email:

office@fondulproprietatea.ro

Internet:

www.fondulproprietatea.ro

Sole Registration Code with the Trade Register Office:

18253260

Order number in the Trade Register:

J40/21901/2005

Subscribed share capital:

RON 3,959,264,762.44

Paid-up share capital:

RON 3,770,082,340.44

Number of shares in issue:

7,613,970,697

Number of paid shares:

7,250,158,347

Regulated market on which the issued securities are traded:

Shares on Bucharest Stock Exchange

GDRs on London Stock Exchange

FINANCIAL SUPERVISORY AUTHORITY

ENDORSEMENT NO. 164 / 22 July 2020

Based upon the provisions of Art. 2 paragraph (1) letters a) and d), Art. 3 paragraph (1) letter a), Art. 6 paragraphs (1) and (3), Art. 7 paragraph (2), Art. 14, Art. 27 and Art. 28 of the Government Emergency Ordinance no. 93/2012 on the establishment, organization and operation of the Financial Supervisory Authority, approved with amendments and supplementing by Law no. 113/2013, with the further amendments and supplementing,

According to the provisions of Art. 6 paragraphs (1) and (2) of Title VII, Chapter II of Law no. 247/2005 with the further amendments and supplementing,

Considering the provisions of article 1 paragraph (4), article 3 point. 1, 2 and 3 and article 4 paragraph (1) letter a) of Law 74/2015 regarding the alternative investment fund managers,

Considering article 17 paragraph (5) of Regulation 10/2015 regarding the alternative investment fund managers,

Based on article 8 paragraph (1) letter c) corroborated with article 20 paragraph (2) and article 79 letter a) from Law no. 243/2019 regarding the alternative investment funds and for modifying some normative acts, according to which the constitutive act of an alternative investment fund organized as a company should mention "*in case of a closed-ended contractual alternative investment fund, the duration of the fund, the date of the fund's liquidation, the fact that the fund units cannot be redeemed by investors prior to the commencement of the fund's liquidation, directly or indirectly, from the contractual alternative investment fund's assets*", and from the analysis of the change of article 32 paragraph (2) from the constitutive act as approved during the Extraordinary General Shareholders Meeting from 28 April 2020 results that the changes are not in line with provisions of article 8 letter c) from Law no. 243/2019,

Considering article 112 paragraph (2) of Law no. 31/1990 with the further amendments and supplementing according to which "*If the ordinary general meeting cannot operate due to the failure to satisfy the conditions of paragraph (1), the meeting gathered after a second convening may deliberate upon the issues on the first meeting's agenda, irrespective of the quorum, taking decisions with the majority of the votes cast. For the general meeting reunited after a second convening, the constitutive act may not provide higher requirements of quorum and majority*",

Considering that from the change of article 14 paragraph (2) of the constitutive act as approved during the Extraordinary General Shareholders Meeting from 28 April 2020 there are additional higher majority conditions that are not in line with the ones mentioned in article 112 paragraph (2) of Law no. 31/1990,

Considering that according to article 117 paragraph (1) of the Law no. 31/1990 with the further amendments and supplementing "*The general meeting shall be convened by the board of directors or by the directorate wherever it is deemed necessary*", and from the proposal for changing article 19 paragraph (3) of the constitutive act as approved during the Extraordinary General Shareholders Meeting from 28 April 2020 results that there is a restriction of the shareholders' rights, considering that the agenda of the shareholders meeting includes only the extension of the mandate of the AIFM not the alternative to appoint another AIFM,

Considering article 79 paragraph (2) of the annex 1 of the FSA Norm 39/2015 regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector, with subsequent amendments, according to which "*The legal reserves are constituted annually from the entity's profit, in the quotas and limits by law, and from other sources provided by law*", and from the wording of the change of article 28 paragraph (3) of the constitutive act as approved during the Extraordinary General Shareholders Meeting from 28 April 2020 results that this change is not in line with the legal provisions mentioned above,

Considering the provisions of Art. 14 paragraph (1) letter b), paragraph (2) and paragraph (3) letters a, b and j and Article 15 paragraphs (1) Regulation no. 4/2010 on the registration with the National Securities Commission and operation of the trade company "Fondul Proprietatea" SA and the trading of its shares issued thereof, with further amendments and supplementing,

Considering Fondul Proprietatea SA's request signed by Franklin Templeton International S.a.r.l (FTIS) registered with the FSA under no. RG/14461/14 May 2020 and supplemented by letter registered with the FSA under no. RG/19181/6 July 2020,

On the basis of the analysis of the specialty division and on the decision adopted during the meeting on 22 July 2020, the Board of the Financial Supervisory Authority has decided on the issuance of the following individual document.

ENDORSEMENT

Art. 1. The amendments of the Constitutive Act of Fondul Proprietatea SA based the Extraordinary General Shareholders Meeting Resolution no. 1/ 28 April 2020 are hereby endorsed, with amendments, according to the annex, except for the amendments of Art. 14 paragraph (2), article 19 paragraph (3) and article 32 paragraph (2).

Art. 2. Fondul Proprietatea SA has the obligation to inform the shareholder during the following Extraordinary General Shareholders Meeting on the amendments of the Constitutive Act of Fondul Proprietatea SA according to article 1 of this Endorsement.

Art. 3. Fondul Proprietatea SA has the obligation to send to Financial Supervisory Authority a copy of the registration certificate for the changes, within maximum 5 days from the registration with Trade Registry Office for the changes mentioned at article 1, but not later than 90 days from this Endorsement issued by Financial Supervisory Authority.

Art. 4. This Endorsement becomes effective on the date it is communication to the sole director of Fondul Proprietatea SA and shall be published in the Bulletin of the Financial Supervisory Authority in electronic form.

CHAIRMAN
Nicu MARCU
Illegible signature
FSA Stamp applied

Annex of the Endorsement no. 164 / 22.07.2020

➤ **Art. 2 para. (2) and para. (3) are changed and will have the following content**

“(2) Fondul Proprietatea is organized, operates and ceases its activity under the legal provisions in force.

(3) Fondul Proprietatea is set up as an alternative investment fund (A.I.F.), addressed to retail investors, constituted as investment company of the closed-end-type.”

➤ **Art. 3 para. (1) is changed and will have the following content**

“(1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Alternative Investment Fund Manager), according to article 21 paragraph (4) xii.”

➤ **Art. 8 para. (2) is changed and will have the following content**

“(2) The share capital may be increased, in accordance with the provisions of the law:

a) by issuing new shares in exchange for cash contributions;

b) by incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.”

➤ **Art. 12 para. (2) letter l) is changed and will have the following content**

“l) to approve significant related parties’ transactions, if their value is greater than 5% of the net asset value, at the proposal of the AIFM;”

➤ **After art. 12 para. (2) letter l) is added a new letter, letter m) with the following content**

“m) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.”

➤ **Art. 12 para. (3) letter h) is changed and will have the following content**

“h) the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;”

➤ **Art. 14 para. (1) and para. (7) are changed and will have the following content**

“(1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with majority of votes held by the shareholders attending or being represented.

[...]

(7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. A permanent representative of the Alternative Investment Fund Manager or a person appointed by it shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.”

➤ **Art. 15 para. (2) is changed and will have the following content**

“(2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The nomination will be accompanied by the questionnaire regarding the independence of the candidate, completed and signed by the candidate, whose template shall be available in the informative materials, following that, this questionnaire will be brought to the attention of the shareholders. 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.”

➤ **Art. 17 para. (11) and para. (21) are changed and will have the following content**

“(11) Monitors the following, based on information and reports received from the Alternative Investment Fund Manager:

- the list of all portfolio investments and percentage breakdown by each investment type;
- a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
- the total profit of the portfolio companies and comparison with the appropriate market benchmark;
- comparison of the obtained profit with the initial objective;
- the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
- the performance evaluation report.

The Board of Nominees shall draft and present to the general meeting of the shareholders an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the general meeting of shareholders.

[...]

(21) Is responsible for monitoring the Alternative Investment Fund Manager performance according to the Management Agreement.”

➤ **Art. 19 para. (4) and para. (5) are changed and will have the following content**

“(4) The AIFM must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.

(5) The Management Agreement can be modified or replaced in accordance with articles 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.”

➤ **Art. 21 para. (4) points (iii), (ix) and (x) are changed and will have the following content**

“(iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the AIFM and of the company’s financial auditors;

[...]

(ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of shareholders the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

(x) execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables, without the approval of the ordinary or extraordinary general shareholders’ meeting;”

➤ **After art. 21 para. (4) point (xvi) is added a new point, point (xvii) with the following content**

“(xvii) approve any related parties transactions, and, if the related parties transactions’ value is greater than 0.25% of the net asset value, to ask for the Board of Nominees’ approval, and, if the related parties transactions’ value is greater than 5% of the net asset value, to convene the GSM.”

➤ **Art. 24 para. (1) and para. (10) are changed and will have the following content**

“(1) The financial statements of Fondul Proprietatea are subject to financial audit in accordance with the applicable laws and regulations. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.

[...]

(10) The internal audit shall present periodical reports to the Board of Nominees of Fondul Proprietatea and the Alternative Investment Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its internal audit plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Alternative Investment Fund Manager.”

➤ **Art. 27 para. (2) is changed and will have the following content**

“(2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force and to the applicable accounting and financial reporting standards.”

➤ **Art. 28 para. (2), para. (3) and para. (5)¹ are changed and will have the following content**

“(2) The net profit of Fondul Proprietatea as resulted from the audited financial statements shall be distributed according to the resolution of the general meeting of the shareholders and to the legal provisions in force.

(3) Fondul Proprietatea creates legal reserves and any other reserves, pursuant to the law.

[...]

(5) The dividends are distributed to shareholders proportional with the number of held paid shares as at registration date.”

➤ **Art. 29 is changed and will have the following content**

“Fondul Proprietatea shall maintain, by care of the Alternative Investment Fund Manager, all registries provided by the law. The shareholders registry is kept by the Central Depository.”

➤ **Art. 31 para. (1) letter d)² is changed and will have the following content**

“d) as consequence of losses as reflected in the audited financial statements, if the net asset value, determined as difference between the total asset and company’s debts represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company’s net asset up to the value at least equal with half of the subscribed share capital;”

➤ **Art. 34 para. (2) is changed and will have the following content**

“(2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law no. 243/2019 on alternative investment funds and for the amendment and completion of other legislation as well as any other applicable law or regulation.”

¹ These changes are not identical with the ones approved by shareholders and such changes that are not approved by shareholders, they are not part of the updated Constitutive Act in force starting with 24 July 2020.

² This change is not identical with the one approved by shareholders and as this change is not approved by shareholders, it is not part of the updated Constitutive Act in force starting with 24 July 2020.