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## THE DARKEST DAY IN THE HISTORY OF CORPORATE GOVERNANCE IN ROMANIA

### *The Parliamentary majority decided to replace professional management in state-owned companies with political appointments*

Bucharest, 21 December 2017 – Fondul Proprietatea is appalled by the adoption by the Chamber of Deputies yesterday of amendments to OUG 109/2011 on corporate governance, which for all intents and purposes exempt over 100 major state-owned companies (SOEs) from the application of this law, thus rendering the content of the law inapplicable. The exempted companies, some of which are listed, include some of the most valuable Romanian SOEs: Hidroelectrica, Nuclearelectrica, Bucharest Airports, Romgaz, Transelectrica, Constanta Maritime Ports SA and CE Oltenia.

In this context, Greg Konieczny, CEO and Portfolio Manager of Fondul Proprietatea commented:

**"If 2017 was a difficult year, marked by blatant disregard, attacks and systematic abuses of corporate governance, yesterday we witnessed the darkest day in the history of corporate governance in Romania. The changes adopted yesterday are a huge step back in time for SOEs and the country, while the risks to integrity via corruption and value destruction in these companies are growing dramatically. It is extremely sad to see that initiatives, which had a proven positive impact, such as the corporate governance legislation, are practically demolished by the Parliamentary majority at an accelerated pace, thus sending an extremely negative signal to investors".**

Johan Meyer, Co-CEO and Co-Portfolio Manager of Fondul Proprietatea added: **"Clearly no consideration is being paid to the far-reaching implications this will have on the financial markets and the well-being of these companies. These amendments are nothing but an intention to protect and enrich the few at the expense of Romania in general."**

The implications of the amendments voted yesterday include among others:

- removing the obligation to appoint professional and politically independent management and Boards in SOEs;
- removing the transparency and reporting obligation for SOEs to publish their annual and half-yearly financial statements<sup>1</sup>;
- removing the obligation to publish the identity, professional experience and remuneration of the executive management of SOEs;
- removing the possibility of minority shareholders to appoint members of the Boards of SOEs and restricting their access to information within the company;
- removing the obligation of SOEs to publish transparently the resolutions adopted by shareholders on their Internet webpages<sup>2</sup>.

<sup>1</sup> However, listed companies continue to have reporting obligations under Capital Market Law and regulations.

<sup>2</sup> The obligation to publish the shareholders' resolutions in Official Gazette within 15 days after approval continues to exist.

**Concluding, Fondul Proprietatea believes that exempting SOEs from corporate governance legislation poses a direct threat to their financial health, opening the door to political cronies' appointments serving other interests than the well-being and development of these companies, bringing a negative impact on the foreign investments and international relationships for Romania, as country.**

**Considering the harshness of these consequences, Fondul Proprietatea makes a public appeal to the President of Romania, Klaus Iohannis, to send the law back to Parliament for re-examination, hoping that these exemptions will be removed after a careful analysis of the potential negative effects of the law.**

- ENDS -

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## Notes to Editors

### 1. About Fondul Proprietatea

Launched in December 2005, Fondul Proprietatea ("the Fund") was established to compensate Romanians whose properties were confiscated by the former communist government. An international tender was announced in December 2008, and Franklin Templeton Investments officially took over as investment manager and sole administrator of the Fund on 29 September 2010. The Fund is an alternative investment fund and its investment objective is the maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The Fund listed on the Bucharest Stock Exchange on 25 January 2011 and on the Specialist Fund Market of the London Stock Exchange by means of global depositary receipts ("GDRs") on 29 April 2015.

The headquarters of Fondul Proprietatea SA are at 78-80 Buzesti Street, 7th Floor, Bucharest District 1, 011017, Romania. For more information on Fondul Proprietatea, please visit <http://www.fondulproprietatea.ro>.

### 2. About Franklin Templeton Investments

Franklin Resources, Inc. [NYSE:BEN] is a [global investment management](#) organization operating as Franklin Templeton Investments. Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 180 countries. Through specialized teams, the Company has expertise across all asset classes—including equity, fixed income, alternative and custom solutions. The Company's more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in 35 countries, the California-based company has more than 65 years of investment experience and over \$753.2 billion in assets under management as of 30 November 2017. For more information, please visit [www.franklintempleton.co.uk](http://www.franklintempleton.co.uk).

Franklin Templeton established an office in Bucharest in May 2010, with a team of 32 employees, including 6 locally based investment professionals who are further supported by the over 40 portfolio managers and analysts of the wider Templeton Emerging Markets team.

Starting with 1 April 2016, in view of complying with the EU Directive 2011/61 on alternative investment fund managers, the Fund is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS"), a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under

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