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THE DRAFT GEO ON THE SOVEREIGN FUND LEAVES SOEs AT THE DISCRETION OF POLITICAL INTERFERENCE AND ABUSE

Bucharest, 03 October 2018 – Fondul Proprietatea is highly concerned by the draft Government Emergency Ordinance ("GEO") setting up the general framework applicable to the Sovereign Fund for Development and Investments ("FSDI"), published by the Ministry of Public Finance on 29 September 2018. The draft disregards corporate governance principles and transparency rules, thus **providing no guarantees that such instruments would remain shielded from potentially corrupt practices and abusive decisions resulting from political interference**.

Fondul Proprietatea is first and **foremost concerned with the possibility of portfolio companies in such a fund to be exempted from the corporate governance principles established by GEO 109/2011,** meaning that **SOEs will no longer have the obligation to select a professional management and be transparent towards the general public, minority shareholders and the Ministry of Public Finance.** Also, of utmost concern is the fact that **these SOEs will cease to observe the rights of the minority shareholders**.

In addition, the current draft GEO lays the foundation for FSDI which would manage highly valuable assets belonging to all Romanians, but **offers no safeguards against arbitrary decisions taken by the respective fund's administrators and managers**, through independent oversight by the Financial Supervisory Authority. **Basically, there is no watchdog in terms of efficiency and honesty.**

Commenting on the draft GEO, Johan Meyer, CEO of Franklin Templeton Investments Limited and Portfolio Manager of Fondul Proprietatea said: "*Setting up a Sovereign Fund for Development and Investments is not necessarily a bad idea, but needs to be properly established so that it can help to develop and put into action a common vision of Romania's development strategy through better management of SOEs to the advantage of all Romanians. However, if founded on a total disregard of corporate governance and transparency rules, this instrument will surely do much more harm than good. It is of paramount importance to select professional managers in a transparent manner and to hold them accountable for the entire duration of their mandate. We have seen many examples of managers and administrators, selected arbitrarily and without merit, managing SOEs into insolvency and to the verge of bankruptcy. Just imagine how infinitely worse it would be to concentrate the control of the largest, most profitable SOEs in the hands of a few people, not transparently selected, nor accountable for their actions. Romanians cannot afford to let the political leadership play hide and seek with the country's assets worth billions of euros.*"

It is high time that the current Cabinet pays attention to and implements the provisions of the Governing Program 2017-2020, reading that "*Improving corporate governance in public enterprises is one of the structural reforms which deserve to be taken into consideration for implementation.*" This can be achieved by creating a legal framework for future FSDIs which offers good premises for the growth of SOEs instead of leaving loopholes by which the "smart guys," who plagued the functioning of these enterprises for many years, could return.

Considering the damaging aspects deriving from the draft GEO published by the Ministry of Public Finance, **Fondul Proprietatea believes the following modifications would make it a valuable instrument, serving its strategic investment purpose and bringing value to Romanian citizens**:

- The Sovereign Fund for Development and Investments should comply with **transparency rules similar to those applied to listed alternative investment funds** regulated by the Financial Supervisory Authority (e.g. Fondul Proprietatea, SIFs);
- **The monthly reporting of the net asset value (NAV) should be compulsory for the FSDI**, and subjecting this reporting to ASF's supervision should guarantee the accountability of the FSDI's management as regards the control of the portfolio companies;
- **The appointment of FSDI supervisory board and directorate members should be made in a transparent and competitive manner**, in accordance with the provisions of GO 109/2011;
- **The remuneration of the directorate and supervisory board members should be dependent on performance objectives** (e.g., increase of NAV/share; the number of companies in portfolio listed on the stock exchange after the setting-up of FSDI; increase in the profitability of portfolio companies);
- **Listing of the companies in the FSDI's portfolio** should represent a priority for the management bodies in order to increase transparency, ensure accountability and implement sound corporate governance principles;
- **The maximization of returns and the increase of portfolio companies' share value** should be the main objective of the FSDI. Also, in the alternative, the FSDI should aim to develop the Romanian capital market so that Romania is upgraded to emerging market status by listing the companies in the FSDI's portfolio with a free-float of at least 25%.

In addition, in order to be recognised as a sovereign wealth fund from an international perspective, the FSDI should implement the **Santiago Principles**[1] as agreed by The International Working Group of Sovereign Wealth Funds.

Fondul Proprietatea has sent a detailed form of the abovementioned proposals to the Ministry of Finance and has expressed readiness to engage in a dialogue, offering solid arguments in favour of its suggestions, based on OECD good practices. **After Poland became the first CEE country to be upgraded to a developed market, Romania could, in the year of its EU Presidency, aspire to an emerging market upgrade, but it needs to get things right.**

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[1] Santiago Principles: The Generally Accepted Principles and Practices for Sovereign Wealth Funds. Source: http://www.ifswf.org/santiago-principles-landing/santiago-principles

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 $722 billion in assets under management as of 31 August 2018. For more information, please visit 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 number B 36.979, registered with the Romanian Financial Supervisory Authority ("FSA") under number PJM07.1AFIASMDLUX0037/10 March 2016.

This release herein is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with the FSA under no. PJM01SFIM/400005/14 September 2009, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission. FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.

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