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**FONDUL PROPRIETATEA CONCERNED BY INADEQUATE IMPLEMENTATION OF  
CORPORATE GOVERNANCE LEGISLATION  
IN STATE-OWNED COMPANIES**

Bucharest, 6 September 2012 - Franklin Templeton Investment Management Limited Bucharest Branch, in its capacity of Sole Director and Fund Manager of S.C. Fondul Proprietatea S.A. ("the Fund") has expressed its concerns with the current status of the implementation of Emergency Government Ordinance 109/2011 ("OUG 109/2011") regarding the corporate governance of state-owned enterprises (SOEs).

Although OUG 109/2011 came into force on 14 December 2011, most of its provisions have not yet been implemented for any Romanian-based companies, in particular provisions regarding the appointment of members to Boards of Directors and General Managers that require a rigorous selection process managed by external recruitment specialists, based on professional criteria.

The Fund Manager expressed its disappointment with the current state of affairs and believes this situation could severely hinder Romania's ambitious but long overdue process of reforming SOEs, several of which are part of Fondul Proprietatea's portfolio. The SOEs must adopt the same rigorous standards of management and transparency as their international peers if they are to achieve equivalent levels of efficiency and profitability, and OUG 109/2011 is a vital step in this progression.

The aim of OUG 109/2011 is to enhance and improve corporate governance mechanisms and principles in the functioning of SOEs, namely:

- establishing transparent criteria and procedures for selecting members of the Boards of Directors, Supervisory Boards and executive management;
- initiating a process of drafting business plans with detailed objectives and implementation schedules once the new Boards and General Managers are appointed;
- increased transparency and disclosure regarding public interest information related to the activity of SOEs;
- reducing the involvement of politics in the way companies are run;

- stricter rules for reporting and approving transactions with affiliates and connected persons;
- better protection of minority shareholders' rights.

In the past eight months, many of these provisions failed to materialize in several SOEs, either through repeated delays in implementation or through disregard of the core professionalism and accountability principles stipulated in OUG 109/2011. Below are some examples:

- Selection processes for human resources consultants have not yet been finalized for the majority of companies where Fondul Proprietatea is shareholder, with the notable exception of SC Hidroelectrica SA and four companies where the Ministry of Transportation and Infrastructure is majority shareholder;
- Most members of the Boards of Directors and General Managers have been replaced by interim members/managers, who, in most cases, were recommended primarily based on political affiliations and therefore demonstrate a lack of professional qualifications and relevant experience as stipulated by OUG 109/2011;
- Several newly appointed general managers lack professional experience relevant for the companies where they have been appointed;
- Despite being appointed only on an interim basis, the newly appointed general managers were allowed to make significant changes in top and middle management positions, with most now being filled based on questionable selection criteria and political affiliation.
- Most provisions of OUG 109/2011 regarding transparency and disclosure have not been implemented.

The Fund Manager believes that the current situation could undermine any successful prospects for restructuring state-owned companies and delay indefinitely any performance, profitability, and overall efficiency gains resulting from this process. Therefore, we strongly encourage the Government to address these matters urgently, correcting the breaches which have occurred so far and ensuring the correct and timely implementation of the Ordinance's provisions henceforth.

The Fund Manager believes that an important step towards the appropriate implementation of OUG 109/2011 would be the appointment of a single public institution in charge of overseeing the enforcement of the Ordinance in all SOEs. By taking such measures, the Government would demonstrate its commitment to restoring the credibility of the entire reform process of state-owned companies and ensuring that the business environment in Romania operates under the same standard as companies in the EU and other established international markets.

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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 a closed-end investment company with the investment objective of long-term capital appreciation through via investment primarily in Romanian equity securities.

Franklin Templeton established an office in Bucharest in May 2010, with a team of 27 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.

Franklin Templeton Investment Management Limited is a subsidiary of Franklin Resources, Inc. [NYSE:BEN], a [global investment management](#) organization operating as Franklin Templeton

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