



Banca Comercială Română SA

CORPORATE GOVERNANCE FRAMEWORK REPORT

2015

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I. Company profile

Banca Comercială Română SA (“BCR” or “the Bank”) has a two-tier governance structure and carries out its activity considering the principles and objectives of good corporate governance, in observance of the Romanian and EU legal and regulatory framework, as well as in alignment with the parent company and the best international practices in the field.

The bank activity is grounded in the BCR principles

Clientul pe primul loc



Client first – We offer services of financial intermediation. We take the risk and offer reliability. Building a relationship and long-term mutual value with our customers.

Performanță



Performance – We are concerned to ensure an efficient working environment and deliver outstanding results following four aspects: customer satisfaction, the bank's profitability, market share and regulatory compliance.

Responsabilizare



Accountability – Employees' accountability is part to the business model. We focus on increasing the efficiency day by day, learning from mistakes and looking for solutions, not excuses.

Colaborare



Cooperation – We base our work on the principle of constructive cooperation through knowledge sharing and mutual support.

Inițiativă



Initiative – We encourage initiative, anticipation and responding promptly to changes through implementation of valid solutions

Disciplină și rezultate



Discipline and results – Building a successful bank showing that we are genuine professionals. The activity must be characterized by the best ethic behavioral and image standards.

BCR Mission

The BCR mission is **to be the main pillar of the prosperity pact for Romania, rooted in the consensus between the civil and economic societies**. Our aim is to become the most trustful supplier of financial services to our private individual clients, companies or state institutions. We aim for maintaining **our relevance as a brand in Romania**, to build and deserve the client's trust in our Bank and Group.

The main pillars of the BCR Mission for the consolidation of our identity and corporate culture are:

- A bank for Romania**
- Financial brokerage**
- A bank for the next hundred years**

II. BCR corporate governance structure and shareholders

From BCR's perspective, Corporate Governance means all rules, systems and processes implemented with a view to establishing the relationship between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, increasing economic performance and, implicitly, the Bank's value. It also highlights the efficiency of the management systems, namely the role of the Supervisory Board and of the Management Board, the responsibilities and remuneration of these structures' members, the creditability of the financial statements and the efficiency of control functions.

Based on the provisions of Law no 31/1990 on companies, with the subsequent amendments and completions and the Government Emergency Ordinance no 99/2006 on credit institutions and capital adequacy, with the subsequent amendments and completions, and in compliance with its Charter, BCR is organised as a two-tier corporate governance structure.

The management structure is designed so as to meet the following objectives:

- to fit the dimension and complexity of the bank activity;
- to allow a clear separation of responsibilities between the supervisory function and the management function;
- to allocate responsibilities and competencies along the functional/reporting lines of a clear, precise, well-defined and transparent manner;
- to ensure independence of the internal control system, so as to properly cover its main functions: risk management, compliance, internal audit;
- to improve the information flow, vertically, from top to bottom, and the other way round, and also horizontally, so as to ensure the delivery of a comprehensive information, and relevant in terms of the proper fulfilling of each organisational structure's tasks, in due time.

The BCR management structure is made of the **Management Board** – representing the **management function**, which ensures the operational management of the bank, and the **Supervisory Board** – representing the **supervisory function**, which ensures the supervision and coordination of the Management Board activity. Their competencies and responsibilities are regulated through the Charter, the Internal Rules of each structure and also through the BCR Operational Book.

Efficiently organised corporate governance helps ensuring the Bank's stability and maintains the corporate governance standards and of business conduct.

A. **BCR Group Structure**

On December 31 2015, the following companies were members of the BCR Group:

- BCR Leasing IFN SA;
- BCR Chisinau SA;
- BCR Banca pentru Locuinte SA;
- BCR Pensii SAFPP SA;
- CIT One SRL;
- Suport Colect SRL;
- BCR Real Estate Management SRL;
- BCR Payments Services SRL;
- Financiară SA –company under liquidation

Also, BCR indirectly holds the following subsidiaries:

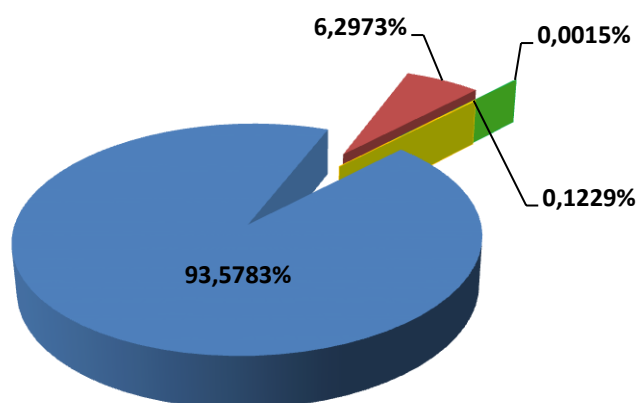
- BCR Fleet Management SRL;
- Bucharest Financial Plaza SRL.

B. Shareholding

On 31.12.2015, the Bank’s subscribed and paid up capital stood at RON 1,625,341,614.50, divided into 16,253,416,145 nominative shares, with a nominal value per share of RON 0.1.

The BCR shareholding structure, according to the BCR shareholders register valid as of 31.12.2015, is the following:

- **Erste Group Bank AG**, Am Belvedere1,1100, Wien, holds 15,209,668.849 nominative shares, worth RON 0.1 lei, representing 93.5783% of the total subscribed capital, RON 1,520,966,884.90;
- **Financial Investment Company “Oltenia”** (SIF Oltenia), headquartered in Craiova, 1 Tufanele Street, Dolj County, holds 1,023,534.303 shares, carrying a nominal value of RON 0.1 each, representing 6.2973% of the total subscribed capital, RON 102,353,430.30 respectively;
- **Romanian legal persons** (namely: 1. SC Actinvest SA holds 226,802 shares; 2. FDI Certinvest Dinamic holds 13,699 shares; 3. SIF Muntenia holds 1 share; 4. SIF Banat Crisana holds 1 share), holding 240,503 shares with a nominal value of RON 0.1 per share, representing 0.0015% of the total subscribed capital, RON 24,050.30 respectively;
- **Private individuals shareholders** own 19,972,490 shares of nominal value amounting to RON 0.1 each, representing 0.1229% of the total share capital, and RON 1,997,249.00 respectively.



- Erste Group Bank
- SIF Oltenia
- Romanian legal entities
- Private individuals

Shareholders - General Shareholders Meeting

The shareholders exercise their rights within the General Shareholders Meeting („GMS” or „General Meeting”), which is the highest management body of the Bank.

The Bank's shares are indivisible and offer its shareholders equal rights, each share representing the right to one vote in the General Shareholders Meeting.

The General Meetings are convened by the Management Board at least 30 days prior to the established meeting date.

The General Shareholders Meetings are ordinary and extraordinary. The Ordinary General Shareholders Meeting is held at least once a year, within 5 months from concluding the financial year and the Extraordinary General Meeting is convened whenever necessary.

The Bank carries all diligences to protect and facilitate the shareholders' exercising their rights, by clear and transparent provisions at the bank's level, which protect the shareholders' rights:

- The right to safe shareholder/ associate registration;
- The right to timely, regular and relevant information with respect to the company's development;
- The right to attend and vote during the GMS and additionally, the right to be informed with respect to the voting rules and procedures, applicable to this type of meetings; the right to their share of the company profit;
- The right to attend and to receive sufficient information with respect to the changes within the company: changes in the company Charter, authorization to issue new shares, one off transactions (for example- sale of a share of the company's assets);
- The right of the shareholders to address questions, also with respect to the independent auditor's report, the right to participate in making a strategic decision such as electing the Supervisory Board members or to express opinions with respect to the compensation of the Supervisory Board and Management Board members.

Information transparency and their timely dissemination are performed by the Bank through:

- Regular and timely supply of relevant and material information with respect to the company for proper exercising of voting rights within the general shareholders meetings ;
- Timely, regular, complete and correct reporting to the shareholders of all current, financial, administrative and extraordinary activities on a regular basis and the independent auditor.

III. BCR Management structure

A. Organisational structure of BCR

BCR is organised in functional lines at central level and it holds a network of branches serving for the retail and corporate business functional lines. At territorial level, retail and corporate activity is organised in areas, managed in the case of retail, by a Retail Area Manager, subordinated to the Executive Manager of the Retail Network Division, and in the case of corporate, by a Corporate Area Executive Manager, who is subordinated to the Executive Manager of the Corporate Network Division.

The central organisation of the Bank is structured on 7 functional lines, as follows:

- One line directly subordinated to the CEO;
- And 6 lines that cover the following areas: Operations & IT, Corporate Clients & Capital Markets, Retail & Private Banking, Financial, Risk and Remedial, Restructuring and Recovery respectively, each composed of functional entities, directly subordinated to 6 executive vice-presidents.

The branch network of the Bank is composed of branches without legal personality, namely county branches, branches and units. The Retail Area Manager ensures the coordination of the retail activity, organised based on branches type A, B, C, which differ depending on the segment of customers and the product structure they offer. The Corporate Area Executive Manager ensures the coordination of activity performed in corporate business centres.

According to the legal requirements, the management structure has the role to monitor, assess and periodically revise the efficiency of the management framework of the bank's activity and of the policies which refer to it, so that it takes into consideration any change of internal and external factors which affects the Bank.

B. Supervisory Board (SB)

Members – persons, appointment

The Supervisory Board is composed of seven (7) members, appointed for a period of three (3) years, with the possibility of being re-elected for another three-year (3) period.

According to the provisions of article 17.3, a of BCR SA's Charter valid on April 28th, 2014, the SB members are nominated by shareholders or by other active Supervisory Board members.

As such, the SB structure at the end of 2015 was the following:

Position	SB Member	Starting date of mandate	Ending date of mandate
Chairman	Manfred Wimmer	23.10.2013	23.04.2016
Deputy Chairman	Andreas Treichl	23.10.2013	23.04.2016
Member	Gernot Mittendorfer	18.10.2013	23.04.2016
Member	Andreas Gottschling	17.06.2015	23.04.2016
Member	Brian O'Neill	18.10.2013	23.04.2016
Member	Tudor Ciurezu	02.03.2009	23.04.2016

We would like to mention the fact that the SB members are named by the General Shareholders' Meeting, and the chairman and deputy chairman are elected by the SB members from among its nominated members.

Aspects related to the **selection process, eligibility requirements, independence criteria of SB members, as well as other areas which have an impact on the credit institution** are included in the **Procedure concerning the nomination and suitability assessment process related to SB members**— approved by SB on 24.12.2014.

Professional experience

SB Member	Professional experience				
	Financial	Regulation framework	Planning and strategy	Risk management	Financial information interpreting
Manfred Wimmer	✓	✓	✓	✓	✓
Andreas Treichl	✓	✓	✓	✓	✓
Gernot Mittendorfer	✓	✓	✓	✓	✓
Andreas Gottschling	✓	✓	✓	✓	✓
Brian O'Neill	✓	✓	✓	✓	✓
Tudor Ciurezu	✓	✓	✓	✓	✓

Internal SB internal structure - subcommittees

SB meets in quarterly meetings or on any occasion necessary, and the meeting calendar for the on-going year is established at the end of the previous year. In 2015 there were 30 SB meetings, organised in compliance with the provisions of the Charter and of the SB Internal Rules, out of which 5 were regular meetings, 1 was a special meeting and the others were held through correspondence.

In order to fulfil its attributions, SB has established the following committees:

- **The Audit and Compliance Committee** – it has a consultative role, as it was established in order to assist the SB in carrying out its attributions, drafting recommendations within the limits of its competencies, according to its responsibilities and attributions provisioned in the Internal Rules, in relation to internal control, compliance, audit, financial crime and litigations;

- **The Risk Management Committee** – it assists the SB in carrying out its attributions which fall into its responsibility in relation to risk management and is a consultative entity which revises, reports to, counsels and assists the SB in fulfilling attributions which fall in its responsibility in relation to risk management and issues recommendations according to the authority limits established through the Internal Rules;

- **The Remuneration Committee** – it has a consultative role, as it was established to assist the SB in carrying out its attributions related to the remuneration policy of the Bank as well as the remuneration of the Management Board and the identified personnel, as defined in the current legislation and in the internal regulations of the Bank;

- **The Nomination Committee** – it has a consultative role, as it was established to assist the SB in carrying out its attributions related to the nomination and suitability assessment of Supervisory Board, Management Board members and of individuals who hold key-positions, as well as of the management framework of the activity (corporate governance) ;

The structure of SB sub-committees

SB Member	Audit and Compliance Committee	Remuneration Committee	Risk Management Committee	Nomination Committee
Manfred Wimmer	Member	Deputy Chairman	Deputy Chairman	Deputy Chairman
Andreas Treichl		Chairman		Chairman
Gernot Mittendorfer	Deputy Chairman		Chairman	
Andreas Gottschling				
Brian O’Neill	Chairman	Member	Member	Member
Tudor Ciurezu				

Control instruments in relation to the Management Board

SB supervises and coordinates the activity of the Management Board, as well as compliance with legal provisions, the Charter and the decisions of the General Shareholders’ Meeting in carrying out the Bank’s activity.

SB exercises a permanent control over the Bank’s management and specifically over the Management Board activity, based on the following responsibilities:

- SB should monitor the compliance of administrative operations carried out by the Management Board based on the applicable legislation, the Bank’s Charter and the resolutions of the General Shareholders’ Meeting of the Bank;
- SB represents the Bank in what concerns communications with the Management Board;
- SB is not involved in the day-to-day administration of the Bank, and these attributions are not appointed to the SB, except for certain dispositions encompassed in the applicable legislation and/or the Bank’s Charter.

C. Management Board (MB)

Members – persons, appointment

According to the provisions of the Management Board Internal Rules, the management of the Bank carries out its responsibilities under the supervision of the SB, which appoints and revokes MB members and the MB chairman from among the existing members, acting in accordance with the current dispositions of the Bank’s internal regulations and the Bank’s Charter.

According to the provisions of article 20.1 of the Charter, the number of MB members is established by the SB (on December 31st, 2015, the Management Board provided structure is of 7 members).

Thus, during 2015, changes of the MB membership were registered, the appointment of Mrs. Dana Demetrian as member (05.01.2015) and the termination of the mandate as CEO of Mr Tomas Spurny (30.09.2015) respectively.

On 31.08.2015 the SB approved the appointment of Mr.Sergiu Manea - MB member, as Chief Executive Officer of BCR. Mr Sergiu Manea took over the CEO position as of 26.10.2015 – date of NBR approval.

Management Board membership on December 31st,2015:

MB Member	Position	Responsibility area
Sergiu Manea	President - CEO	Executive president; Corporates Clients &Capital Markets
Adriana Jankovicova	Executive vice-president - CFO	Financial
Jonathan Locke	Executive vice-president - CRO	Risk
Paul Ursaciuc	Executive vice-president - COO	Operations &IT
Bernd Mittermair	Executive vice-president - CWO	Remedial, Restructuring and Recovery

Dana Demetrian

Executive vice-president

Retail & Private Banking

Professional experience

MB Member	Professional experience					
	Financial markets	Management framework and requirements	Strategic planning	Risk Management	Interpreting a credit institutions' financial information	Internal control processes
Sergiu Manea	✓	✓	✓	✓	✓	✓
Adriana Jankovicova	✓	✓	✓	✓	✓	✓
Jonathan Locke	✓	✓	✓	✓	✓	✓
Paul Ursaciuc	✓	✓	✓	✓	✓	✓
Bernd Mittermair	✓	✓	✓	✓	✓	✓
Dana Demetrian	✓	✓	✓	✓	✓	✓

Internal structure – subcommittees – and responsibilities

The Management Board meets in weekly meetings or whenever necessary. During 2015, the MB had 87 meetings, namely 52 **regular** meetings and 35 **ordinary** meetings held through other means of distance communication.

In order to carry out its responsibilities, the MB has created the following committees:

Subcommittee	Role and scope
ALCO	Decides upon the funding strategy and the management of the bank's assets and liabilities During the year 12 regular meetings were held.
ORCO	Validates and approves the measures to identify, assess, monitor and control significant operational risks. During the year 5 regular meetings and 1 per rollam meeting were held.
Credit Committee	Decides with respect to retail and corporate loans: validates and decides with respect to granting loans and other commitments (letters of guarantee, yearly reviews etc.) within competences defined by BCR Operational Book of BCR. During the year 52 regular meetings and 110 per rollam meetings were held.

PAC	Makes resolutions with respect to Workout customers, based on the President's Order C00294, with respect to approval pouvoirs. During the year 51 regular meetings and 17 per rollam meetings were held.
PIC	Is responsible for the approval of implementing change initiatives with or without IT components (projects and CRs). During the year 5 regular meetings and 7 per rollam meetings were held.
SBEMC	Decides and makes recommendations to the Management Board regarding the Self Banking strategy, budget, investments and operational improvements. During the year 2 regular meetings were held.
I&DC	Approves the operations and activities related to: real estate sector, building managements and related services, as well as all related cost types, within a certain limit, with the exception of decisions regarding full time employees and direct expenses regarding payroll. During the year 17 regular meetings and 12 per rollam meetings were held.
KYCO	Approves the necessary measures for monitoring and control of compliance risk, by continuation/reduction/ceasing business relationships with: clients with AML/CFT risk, clients classified with high KYC risk, monitors AML/CFT/KYC projects and various reports. During the year 5 regular meetings and 4 per rollam meetings were held.
FSGC	Financial Steering Group controls and reports all relevant topics to the Management Board, acting in the following areas: coordinating financial results, budgets, approval of the financial and risk methodology and related processes in relation to the group, subsidiaries coordination. During the year 12 regular meetings and 7 per rollam meetings were held.
RPC	Establishes the pricing policy for loans, savings and investments, cards and services for PIs, approves the interest rate and fees applicable for products and services for PIs and approves the proposals for the authority limits for negotiating the differentiated prices levels for several entities in the Retail and Private Banking. During the year 8 regular meetings and 2 per rollam meetings were held.
CPC	Approves the standard levels of the interest rate and fees for non-lending and lending products and for services offered to Corporate and Micro clients for negotiating the levels of the interest rates and fees for Corporate and Micro front office. During the year 9 regular meetings were held.

IV. Performance management and compensation strategy

Performance management is formalized through the Performance and Professional Development System or, in short, the PDS procedure. This process is applicable to all BCR Group employees.

Starting with 2015, the Performance Management System has been updated with the following changes:

- The final achievement degree is calculated as a weighted average of the two categories of indicators:
 - Results of business objectives evaluation (75%);
 - Results of core competencies evaluation (25%).
- the basic competences valid at the level of BCR Group as of 2015 are: Foster growth, Act responsibly, Be accountable, Excel in execution, Cooperate as a team.
- the final results of the appraisal will be represented by means of one of the 5 descriptive indicators (Below expectations, Partially below expectations, According to expectations, Above expectations, Exceptional) function of the achievement degree (0%-150%).

Considering the particularities of the sale positions in the Retail network, the business objectives and the correlation between performance and bonus is regulated in case of this category by means of **the Retail motivation scheme**.

BCR compensation philosophy is adapted to the reality of the banking sector and to the economic environment. It is based on BCR long term strategy and the long term objectives, the bank's culture and organisational structure and is influenced by the market practices.

BCR focuses on applying and promoting a **pay for performance philosophy**, having the following key elements:

- Creating a direct link between pay and performance, in case of variable compensation;
- The fixed component (base salary) is based on individual performance (individual results in the context of organisational accountability and individual competencies);
- Yearly variable payment is based on the Bank's performance, that of the organisational structure where the activity is carried out and the individual performance (individual results) ;
- Incentives are granted based on key performance indicators sales, which consider both quantitative as well as qualitative criteria;

BCR will regularly (at least yearly) assess its compensation practices in order to make sure that:

- Correct incentives are applied, risks are effectively managed and their excessive use is not encouraged;
- The principles considered within the Remuneration Policy abide by all legal requirements in force.

The total compensation package in BCR is composed of the following elements:

- The fixed compensation:
 - base salary;
 - benefits;
- The variable compensation.

V. COMMUNITY

Any community values dignity, humaneness, honesty and wisdom. These basic values are among BCR principles BCR: **Client first, Accountability, Performance, Cooperation, Initiative, Discipline and Results.** These are what we are offering our customers when we work and behave according to BCR principles.

As 70% of the Romanians believe that the country is going to the wrong direction, and only 14.2% continue trust the banking system, it is the duty of BCR, as the largest local bank, to be **a connector and a catalyst** for the development of Romania. We should be **the bank for Romania as well as responsible citizens**, having firm principles, integrating the bank in the community and having as purpose **intermediation and supporting value development in the communities we are part of.**

BCR strategic directions as regards community involvement are the following:

✓ **Supporting and promoting leaders and role-models**, participating in creating a positive and inspirational framework for Romania's development.

✓ **Education for practical competences development**, having strategic partnerships with the most important universities in the country with the main purpose of creating projects which would help developing students' practical abilities for a better integration on the labour market.

✓ **Civil leadership** by developing projects supporting hundreds of NGOs yearly, as well as by encouraging its employees to be responsible citizens, interweaving the bank in the community fabric.

Also, **BCR team members** are encouraged to be **responsible citizens**, in the communities they are part of. BCR employees benefit from a day off for volunteering activities, they are supported to propose and implement projects having a real social impact and are encouraged to redirect 2% of their income tax to companies which have as purpose social welfare.

Also, BCR aligns its business strategy to the community needs, permanently developing innovative products for our customers, in order to help them fulfil their dreams and aspirations. Also, BCR is an important factor of economic development, by providing active support the business community members.

In 2015, BCR implemented the following projects according to strategic directions for community involvement:

1. Supporting and promoting leaders:

- **Let's got to the Olympiad!** Is a program launched by eMAG Foundation. BCR joined it in 2014 in order to support performance in education. We support both the expansion of preparation centres for children having high potential, as well as organizing national Olympiads and preparing the international Maths team. In 2015 we grew the number of cities and the number of performance centres - now there are **14 preparation centres** for Maths, Physics and IT in **seven cities**: Brasov, Bucuresti, Buzău, Cluj, Constanta, Iasi, Timisoara. Almost 2,000 children attend and get prepared in these centres.
- **BCR, Official Bank of the 2015 Youth European Capital** – supporting projects and programs addressing youth in Cluj and creating a framework allowing us to develop multi-annual projects for youth. Under the 2015 European Capital umbrella, BCR was partner in the project named Participatory Budgeting, bringing together **400 youth teams** who proposed and implemented solutions to improve Cluj community life.

2. Education for developing practical skills

- **Career lab** is an informal learning platform especially designed by BCR, in a partnership with Scoala de Valori, in order to help the youth develop soft skills, with the purpose of their easier integration on the labour market. In 2015, the project held two offline editions in Iasi and Cluj-Napoca, where, for two weeks, 130 youths attended informal workshops and benefitted from direct contact with business environment representatives.
- **Summer Job in BCR** is a financial education competition and the first paid internship projects, addressing high-school students in Romania. Its purpose is to offer students their first working experience in a company and to acquire banking and financial concepts, by practicing them, with the support of BCR mentors. In 2015 we received over 300 applications and 60 students had a paid internship for 2 months in BCR.

3. Civic leadership

- **The Good Stock Exchange** www.bursabinelui.ro is the only platform for donations in Romania which is not charging any fees and which brings together organizations which need support in order to carry out various projects, as well as people who want to invest in good deeds in their community. Currently on the platform there are 300 organizations, which managed to gather over EUR **300,000** from online donations. In 2015, over **5,000 people** donated for the projects registered, and during the Good Championship (in only 2 months) over EUR **60,000** were gathered for more than 100 organizations.
- **Good Deeds bakery** is a competition for bank employees with the purpose of encouraging community involvement, by catalysing several valuable resources: abilities, time and dedication of our colleagues, and financial resources offered by the Bank. In 2015, over 40 projects entered the competition, from all over the country, over 110 employees were involved as members of the project teams or mentors, EUR 15,000 were used to implement 5 winning projects and the projects which entered the competition gather a few thousand beneficiaries.