

## The Principles regarding corporate governance for 2018 in BCR and BCR Group

Banca Comercial Română SA (BCR), bank managed in a two-tier system, carries out its activity based on a corporate governance framework which is in line with the legal and regulatory requirements of the Romanian legislative framework, the EGB Group guidelines, as well as the best international practices in the industry.

According to the corporate governance principles at BCR level, in compliance with the provisions of the regulatory framework issued by the National Bank of Romania (NBR), the overall management structure and especially the supervisory function have the responsibility to establish, assess and periodically and systemically review: how the bank's activity is organized, the collective and individual competencies and responsibilities, how the implementation and application of the entire set of regulations is monitored, flows and control keys from the perspective of the undertaken mission and vision, targets' achievement as per the business plans, effective risk management.

The corporate governance principles are applicable at the BCR Group level, and BCR management body is assuring that at the group level for BCR subsidiaries there is assured a proper corporate governance framework in order to meet all applicable governance requirements.

Within this framework, the undertaken principles rely on the fact that BCR is part of Erste Group – one of the largest financial services suppliers from Central and Eastern Europe, and comply with the corporate governance principles applicable at Group level.

### The principles of corporate governance at BCR level

1. **Observance of the rights of shareholders and their fair treatment**
2. **A component/organization of the management structure meant to add value to the management process**
3. **Promotion of ethics and adoption of responsible decisions**
4. **Publishing information in a timely and balanced manner, thus providing accuracy and integrity in the financial reporting**
5. **Sustainable corporate social responsibility**

#### 1. Observing the rights of shareholders and their fair treatment

- The shareholders' right, by means of clear and transparent provisions stipulated in the Bank's Charter, to take part, given the shareholders' general meeting, in the making of the most important decisions of the bank, including fundamental corporate changes, nomination and appointment of the Supervisory Board's members, annual financial statements, et c;
- Providing on a regular and timely basis relevant information and materials pertaining to our society, to appropriately exert the voting right during the shareholders' general meetings;
- Fair, equal treatment to all the shareholders;
- It is strictly forbidden to use confidential, internal information in one's own interest, so as to obtain certain advantages.

#### 2. A component/organization of the management structure meant to add value to the management process

- The management bodies provide an efficient, prudent and transparent organizational structure; a developed and efficient management framework for the promotion of overall economic performance, a lasting growth of the company, market and country's economy;
- Two tiers of the management structure, with a clear definition of responsibilities: the Supervisory Board has the role of directing the overall strategy implementation and the risk control function; the Management Board exercises its management responsibilities in relation to the overall activity of the bank;

- The clear definition of all management bodies' responsibilities in the Charter and internal regulations;
- The compliance with the regulation framework of the activity established by the parent-company (Erste Group Bank AG), considering the business objectives, the risk profile and the policies established by the aforementioned and the assessment of decisions and practices, at group level, applicable to BCR, so that the Bank does not breach the provisions of the regulation framework or the prudential rules applicable at individual level in Romania;
- Establishing the number of Supervisory Board members, the number of independent members, appointment, revoking and remuneration methods;
- Establishing the number and membership of the Management Board and assessing, on a regular basis, the duties assigned to the aforementioned and the individual responsibilities assigned to each member of the Management Board;
- Appointing and revoking the Chairman and the other members of the Management Board, establishing the responsibilities of the Management Board, as well as the terms and conditions of the members' mandates, assignment of responsibilities per member and approval of their remuneration.
- *The Supervisory Board* regularly approves and reviews BCR's risk profile, as well as the Bank's overall strategy on risk management, for the purpose of ensuring a responsible, prudent and profitable banking activity.
- *The Management Board* is responsible for establishing and implementing the general strategy of the Bank, approved by the Supervisory Board, including risk tolerance / Risk Appetite levels and the risk management framework, as well as for maintaining an adequate reporting of the risk exposure and risk limit management, including in crisis situations.

The Management Board develops liquidity risk management strategies, policies, processes and systems, in compliance with the established risk tolerance and makes sure that the Bank maintains an adequate liquidity level.

The Management Board is also responsible for the development of a risk culture integrated within the institution, based on a comprehensive understanding of risks the Bank deals with and how these are managed, by taking into account risk tolerance/appetite and by applying measures necessary for monitoring and controlling all significant risks in compliance with the risk management strategy.

### **3. Promotion of ethical behavior and adoption of responsible decisions**

- Adoption of ethical standards and the code of conduct, and a continuous review of their implementation;
- Abstention from taking any decision if there is a conflict of interest;
- Observance of the best interests of the shareholders and social stakeholders, as well as of the legal provisions in force;
- At least an annual assessment of knowledge, skills and experience of each member of the Management Board and of the Supervisory Board collectively, with an appropriate reporting to the Supervisory Board;
- The nomination committee regularly makes sure that the members of the Management Board and of the Supervisory Board comply, on a permanent basis, with the suitability criteria set by the applicable legislation and by the National Bank of Romania, and makes propositions with regard to any necessary measure for the settlement of situations in which a member of the Supervisory Board / Management Board no longer meets the suitability criteria for that respective office;
- This is achieved based on the observance of the following principles:
  - The principle of moral integrity;
  - The principle of objectiveness;
  - The principle of equity;
  - The principle of corporate social responsibility;

- The principle of respecting human rights;
- The principle of professional competence and prudence;
- The principle of professional conduct.
- The bank's employees are equally obliged and committed to observe the standards of integrity, ethical behavior and professional conduct, as provided within Code of Ethics and for this purpose a statement is signed and periodically renewed.

#### **4. Publishing information in a timely and balanced manner – providing accuracy and integrity in the financial reporting**

- Setting and running a comprehensive and coherent information flow between the management role (Management Board) and the supervision role (Supervisory Board and its committees).
- Providing on a regular basis, in due time, relevant information and materials pertaining to the company, so as to appropriately exert the voting right during the Shareholders' General Meeting, in compliance with the reporting requirements stipulated by the applicable regulations;
- Publishing interim information, presenting the differences against the annually published information, and explaining the way in which the financial position and the results obtained during the interim time frame interact with the annual ones.
- Nominating or revoking the financial auditor, based on the decision taken by the financial shareholders' general meeting, as well as the minimum duration of the contract concluded with them, based on the propositions made by the members of the Management Board, the recommendations made by the Audit Committee and the decision taken by the Supervisory Board.

#### **5. Sustainable corporate social responsibility**

- Supporting projects focusing on long-term investments in the fields that directly contribute to a healthy development of the community, namely education (especially financial education), entrepreneurship and social solidarity.