



**BANCA COMERCIALĂ ROMANĂ SA**

**CORPORATE GOVERNANCE  
FRAMEWORK REPORT**

**2018**

**TABLE OF CONTENTS**

**I. Company profile**

**II. BCR principles, corporate governance structure and shareholding**

**III. BCR management structure**

**A - BCR organizational structure**

**B – Supervisory Board**

- **Members – persons, appointment**
- **Professional experience**
- **Internal structure – subcommittees and their responsibilities**
- **Management Board control instruments**

**C - Management Board**

- **Members – persons, appointment**
- **Professional experience**
- **Internal structure – subcommittees and their responsibilities**

**IV. BCR Group Structure and corporate governance framework**

**A - BCR Group structure - overview**

**B - BCR Group governance framework**

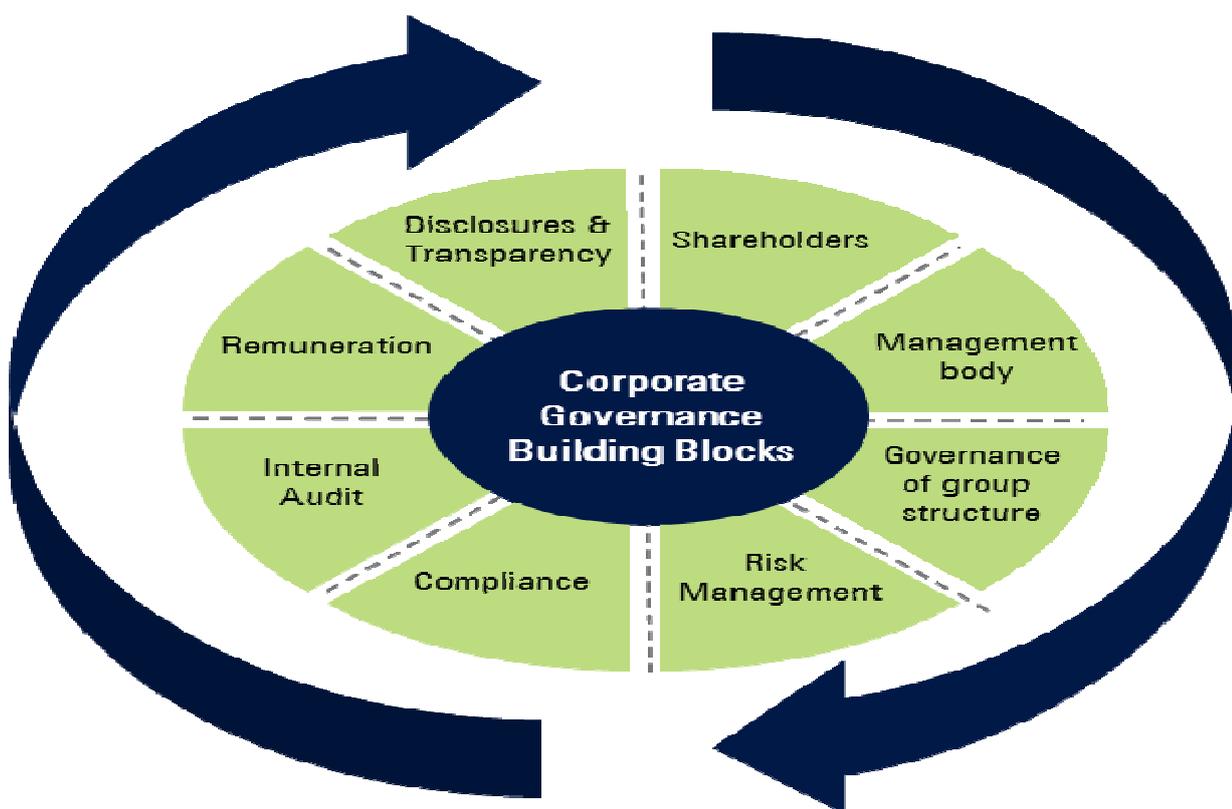
**V. Performance management and remuneration strategy**

**VI. Community**

## I. Company profile

Banca Comercială Română SA (“**BCR**” or “**Bank**”) is functioning under a two-tier governance structure and carries out its activity based on a strong corporate governance framework, in observance of the Romanian and EU legal and regulatory requirements, as well as in alignment with Erste Group Bank guidelines and the best international practices in the area .

### Corporate governance in BCR



The corporate governance model at BCR Group level (and at the individual level of the Bank) is based on the interaction of the corporate governance building blocks which are implemented through dedicated internal policies, procedures, working instructions, processes across the specific functional lines of each institution (the Bank or its Subsidiaries).

**BCR objectives** regarding corporate governance focus mostly on:

- Adapting to most recent changes;
- Strengthening the trust of stakeholders;
- Speeding up the decision making and execution process;
- Corporate governance processes and capacities clearly defined and communicated;
- Improved risk management; and
- Alignment to legal requirements and to Erste Group requirements and standards.

**BCR commits itself to improve the corporate governance in order to observe the legitimate rights and interests of all the stakeholders**, by ensuring the efficiency of its activity, maintaining Bank's financial stability and profitability, through:

- Activity transparency;
- Procedures well defined within the activity of the management body and of other bodies responsible for adopting significant decisions;
- Conflicts of interest prevention;
- Implementing an efficient internal control system;
- Adequate duties' separation.

### **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 society.**

Our summarized **storyline** is the following:

- ***We, the Romanian Commercial Bank, understand to be more than a bank.***
- ***We are people believing in people. The trust you provide us with helps us be better in what we do.***
- ***Day by day, we support Romanians' access to prosperity by means of responsibility, education and respect. We believe in Romania, we believe in people who trust themselves.***

BCR played a significant role in Romania's future, by **mobilizing the financial and intellectual capital** and offered quality services to all communities and client segments in Romania. We are going to use technology as an instrument to help us meet regulatory requirements and reach clients in a structured manner. We are going to have a multi-channel strategic approach – by always adapting, in order to anticipate and be able to deal with the market challenges.

## **II. BCR principles, corporate governance structure and shareholding**

From BCR's perspective, Corporate Governance means all rules, systems and processes implemented with a view to establish the relation between shareholders, management, clients, employees, suppliers and other parties involved in setting the objectives and the manner to achieve them, for 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 credibility of the financial statements and the efficiency of control functions.

BCR establishes and reassess on an annual basis and publishes on its website the corporate governance principles that ensure an adequate framework for its activity, in observance of the legal and regulatory

requirements of the legislative framework in Romania, the guiding principles of Erste Group Bank, as well as the best international practices in the area.

The goal of this report is to annually assess the manner in which the general principles and the governance policy are implemented and reflected through the presentation of the corporate governance structure, including the manner in which it is transposed in the bank's internal governance and the manner in which its management body, in its supervisory and executive management functions, defines, supervises and implements an activity management framework that ensures the efficient and cautious management of the credit institution.

Based on the provisions of the companies Law no. 31/1990, 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's management body is organized in a two-tier structure, namely the supervision function is separated from the executive management.

The management body of the bank has ultimate and overall responsibility for the institution and defines, oversees and is accountable for the implementation of the governance arrangements within the credit institution that ensure effective and prudent management of the institution. The management body's responsibilities include setting, approving and overseeing the implementation of:

- the overall business strategy and key policies of the institution within the applicable legal and regulatory framework, taking into account the institution's long term financial interests and solvency;
- the risk strategy, including the institution's risk appetite and its risk management framework and measures to ensure that the management body devotes sufficient time to risk issues;
- an adequate and effective internal governance and internal control framework that includes a clear organisational structure and well-functioning independent internal risk management, compliance and audit functions that have sufficient authority, stature and resources to perform their functions;
- a remuneration policy that is in line with the remuneration principles set out within the applicable regulatory framework as well as a selection and suitability assessment process for key function holders;
- arrangements aimed at ensuring the internal functioning of each committee of the management body, when established, detailing the: i. role, composition and tasks of each of them; ii. appropriate information flow, including the documentation of recommendations and conclusions, and reporting lines between each committee and the management body, competent authorities and other parties;
- a risk culture in line with the regulatory framework and aligned with the bank strategy which addresses the institution's risk awareness and risk taking behaviour;
- a corporate culture and values in line with the regulatory framework and aligned with the bank strategy, which fosters responsible and ethical behaviour, including a code of conduct or similar instrument;
- a conflict of interest policy at institutional level and/or staff, arrangements aimed at ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls and

compliance, a process of disclosure and communications with external stakeholders and competent authorities.

The management structure is conceived 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 assign responsibilities and competencies along the functional/reporting lines in 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 vice versa, and also horizontally, so as to ensure the delivery of comprehensive information, relevant in terms of the proper fulfilling of each organizational structure's tasks, in due time.

The BCR management structure consists 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 BCR's Operational Book.

Efficiently organized corporate governance helps ensure the Bank's stability and maintains corporate governance and business conduct standards.

### **Shareholding**

The Bank's subscribed and paid up capital is RON 1,625,341,625.40, divided in 16,253,416,254 nominative shares, with a nominal value per share of RON 0.1.

During 2018 the shareholding structure of BCR was marked by the signing of the shares' sale-purchase agreement between SIF Oltenia (as Seller, holding 6,2973 % of the capital stock) and the shareholder Erste Group Bank AG (as Buyer) on 16.08.2018. The operation was finalized on 9.10.2018 with the transfer of the BCR shares package held by SIF Oltenia.

Thus, the shareholding structure as per the BCR shareholders registry on 31.12.2018 was the following:

- **Erste Group Bank AG**, AM Belvedere 1,1100 Wien, Austria, holds 16.233.523.442 nominative shares, worth RON 0.1 each, accounting for 99,8776% of the total share capital, namely RON 1.623.352.344,20;

- **Romanian legal entities shareholders** (i.e. 1. SC Actinvest SA holds 226,802 shares; 2. FDI Certinvest Dinamic holds 13,699 shares; 3. BCR Leasing IFN SA holds 109 shares; 4. SIF Muntenia holds 1 share; 4. SIF Banat Crisana holds 1 share), holding 240.612 shares with a nominal value of RON 0.1 each, accounting for 0.0015% of the total share capital, namely RON 24,061.20;

- **Individual shareholders** own 19.652.200 shares with a nominal value of RON 0.1 each, accounting for 0,1209% of the total share capital, namely RON 1.965.220,0.



### Shareholders - General Shareholders Meeting

The shareholders exert their rights within the General Shareholders Meeting (“**GMS**” or “**General Meeting**”).

The Bank’s shares are indivisible and grant 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. In extraordinary cases, as provided by the companies Law, the Supervisory Board may convene the General Meetings, when the interest of the Bank requires it.

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 out all diligences to protect and facilitate shareholders in exercising their rights, by establishing clear and transparent provisions at the bank's level. BCR observes the rights of its shareholders and provides the effective pursuit of these by ensuring an efficient communication with the shareholders at the Bank's level. The shareholders have:

- The right to safe registration means for shareholders/ shares owned;
- The right to receive timely, regular and relevant information with respect to the company's development, as established by the applicable legislation
- The right to attend and vote during the GSM 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 of the shareholders to ask questions, also with respect to the independent auditor's report, the right to participate in strategic decision making processes such as electing the Supervisory Board members or expressing opinions with respect to the remuneration of the Supervisory Board and Management Board members according to BCR Charter.

In 2018 four GSM meetings took place, out of which 2 ordinary meetings and 2 extraordinary meetings, which had on their agendas mainly the following topics:

- The budget for 2018 - BCR and BCR Group;
- Appointment of an independent financial auditor and the minimum contract duration;
- Extension of the validity of the Bond Issue BCR Program and the introduction of new bonds structures which can be issued based on the Issuing program;
- Amendment of BCR Charter;
- The financial statements for the financial year concluded on 31.12.2017;
- Distribution of profit for the financial year concluded on 31.12.2017;
- Discharge of liability of the members of the Supervisory Board and of the members of the Management Board for the financial year of 2017;
- Remuneration structure for the members of the Supervisory Board of BCR for 2018;
- Elections for BCR's Supervisory Board.

Transparency and timely dissemination of information is ensured in the Bank by:

- Regular and timely communication of relevant and material information with respect to the company, in order to guarantee that voting rights are properly exerted in the general shareholders meetings;
- Timely, regular, complete and accurate reporting to shareholders of all current, financial, administrative and extraordinary activities.

### III. BCR management structure

#### A. BCR organizational structure

At its headquarters level BCR is organized in business lines and at its territorial level, the retail and corporate activity are organized on areas, coordinated for retail by a Retail Area Manager, reporting to the Deputy Executive Manager of the Retail Distribution Division, and for Corporate, by a Corporate Area Executive Manager, reporting to the Executive Manager of the Corporate Network Division.

Thus, at the end of 2018, the Bank was organized on 5 functional lines, as follows:

- One business line subordinated to the Executive President (CEO); and
- And 4 business lines covering the following areas: Operations & IT, Retail & Private Banking, Financial and Risk, each comprising several functional entities subordinated to the 4 coordinating 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, organized based on branches type A, B, C, which differ depending on the segment of clients 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 regularly 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 affect the Bank.

#### B. Supervisory Board (SB)

##### Members – persons, appointment

The Supervisory Board is composed of minimum five (5) members and maximum nine (9) members appointed by the Ordinary General Shareholders Meeting for a mandate of maximum three years, with the possibility to be re-elected for subsequent mandates of maximum three years.

According to the provisions of article 17.3 a of BCR's Charter the Supervisory Board members are nominated by shareholders or by other acting Supervisory Board members.

Thus, the Supervisory Board structure, at the end of 2018 is as follows:

SB Member	Position	Date of starting the mandate	Date of termination of the mandate
<b>Manfred Wimmer</b>	<b>President</b>	23.04.2016	23.04.2019
<b>Andreas Treichl</b>	<b>Vice-president</b>	23.04.2016	23.04.2019

<b>Gernot Mittendorfer</b>	<b>Member</b>	23.04.2016	23.04.2019
<b>Hildegard Gacek</b>	<b>Member</b>	23.04.2016	23.04.2019
<b>Brian O’Neill</b>	<b>Member</b>	23.04.2016	23.04.2019
<b>Elisabeth Krainer Senger – Weiss</b>	<b>Member</b>	25.04.2018	23.04.2019

Two members of the Supervisory Board presented their resignation, as follows:

- Mr. Wilhelm Koch – end of mandate date 31.01.2018;
- Mr. Tudor Ciurezu – end of mandate date 31.12.2018.

Aspects related to the **selection process, eligibility requirements, independence criteria of Supervisory Board members, as well as other areas which have an impact on the credit institution** are included in the **Policy concerning the nomination and suitability assessment process related to BCR management body.**

**Professional experience**

SB Member	Professional experience				
	Financial	Regulation framework	Planning and strategy	Risk management	Financial information interpretation
<b>Manfred Wimmer</b>	✓	✓	✓	✓	✓
<b>Andreas Treichl</b>	✓	✓	✓	✓	✓
<b>Gernot Mittendorfer</b>	✓	✓	✓	✓	✓
<b>Hildegard Gacek</b>	✓	✓	✓	✓	✓
<b>Brian O’Neill</b>	✓	✓	✓	✓	✓
<b>Elisabeth Krainer Senger – Weiss</b>	✓	✓	✓	✓	✓

**Internal structure – subcommittees and their responsibilities**

The Supervisory Board holds 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 2018, 47 Supervisory Board meetings took place, organized and held in compliance with the provisions of the Charter and the Supervisory Board Internal Rules, out of which 4 were regular meetings, while the other meetings were held by other means of communication.

In 2018, BCR implemented the joint ESMA and EBA guidelines regarding the adequacy assessment of the management body members and of the key-functions holders by aligning all applicable internal regulations.

In addition, BCR follows the model of the Three Defense Lines through which the bank adopts risk and control processes efficiency and effectiveness.

Internal audit should offer the guarantee of the governance efficiency, risk and internal controls management, including how the first and second line of defense meet the objectives of the risk and control management.

In order to ensure a more clear structure for each defence line, on 14.12.2018 the responsibilities related to Compliance attached to the Audit and Compliance Committee were transferred to Risk Management Committee, thus obtaining a transparent separation of the second versus the third line of defence of BCR's internal control system.

In order to ensure a more flexible structure of these committees, as well as to align the debates and the meetings' content, the appointment of a replacement member for each Supervisory Board sub-committee, in compliance with the structure already supplied in the Internal Rules of each Supervisory Board sub-committee.

In order to fulfil all these requirements, the Supervisory Board established the following consultative committees:

- **Audit Committee** – is a consultative body, which reviews, briefs, provides consultancy and assists the Supervisory Board in fulfilling its tasks in terms of internal control and audit, as well as in terms of the quality and performance of the Bank's accountants and internal and external auditors, the authenticity of the bank's financial information and the adequacy of the controls and financial policies.

The Audit Committee is composed of three members and a replacement member, elected from the Supervisory Board members.

- **Risk and Compliance Committee** - is a consultative body that reviews, briefs, provides consultancy, issues recommendations and assists the Supervisory Board in fulfilling its tasks related to risks management, internal control and compliance and issues recommendations according to the established authority limits.

Risk and Compliance Committee is composed of three members and a replacement member, elected from the Supervisory Board members.

- **The Remuneration Committee** – is a consultative body that reviews, briefs, provides consultancy, issues recommendations and assists the Supervisory Board in fulfilling its tasks and responsibilities related to the remuneration policy and especially provides consultancy and monitors the remuneration, bonuses and benefits of the Management Board's members.

The Remuneration Committee is composed of three members and a replacement member, elected from the Supervisory Board members.

- **The Nomination Committee** – is a consultative body that reviews, briefs, provides consultancy, issues recommendations and assists the Supervisory Board in fulfilling its tasks and responsibilities related to the nomination and suitability assessment of the Supervisory Board and Management

Board members, and of individuals holding key offices, as well as of the management framework of the Bank's activity.

The Nomination Committee is composed of three members and a replacement member, elected from the Supervisory Board members.

**The structure of the Supervisory Board sub-committees**

SB Member	Audit Committee	Remuneration Committee	Risk and Compliance Committee	Nomination Committee
<b>Manfred Wimmer</b>	Replacement member	Replacement member	Replacement member	Replacement member
<b>Andreas Treichl</b>		Vice-president		Vice-president
<b>Gernot Mittendorfer</b>	Vice-president		Vice-president	
<b>Hildegard Gacek</b>	Member		President	Member
<b>Brian O'Neill</b>	President	President		
<b>Elisabeth Krainer Senger – Weiss</b>		Member	Member	President

**Management Board control instruments**

The Supervisory Board 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 related to the Bank's activity.

The Supervisory Board is responsible for setting and reviewing an adequate and efficient framework related to the internal control, which comprises risk management, compliance and audit, as well as an appropriate framework related to the financial reporting and accounting.

The Supervisory Board is directly responsible for supervising the activity of the Internal Audit Division, whose main goal is to perform in due time the audit missions or any other audit investigation covering the entire activity of the bank and its subsidiaries, the audit reports are submitted to the Management Board and/or the Audit Committee, respectively the Supervisory Board.

The Supervisory Board is responsible for the supervision of the activity carried out by the Compliance Division, as well as the supervision of the compliance risk management.

The Compliance Division reports directly to the Management Board (MB), the Supervisory Board (SB) and the supporting committees / Risk and Compliance Committee (RCC).

The Supervisory Board exerts a permanent control over the Bank's administration, and the Management Board, by the following means:

- The Supervisory Board is responsible to check the compliance of the administrative operations performed by the Management Board based on the applicable legislation, the Bank's Charter and the decisions of the Bank's General Shareholders Meeting;

- The Supervisory Board represents the Bank in its relations with the Management Board;
- The Supervisory Board is not involved in the day to day management of the Bank, and these tasks are not delegated to the Supervisory Board except for some clauses included in the applicable legislation and/or the Bank's Chart.

### C. Management Board (MB)

#### Members – persons, appointment

According to the provisions of the Management Board Internal Rules, it provides the current management of the Bank and performs its duties under the supervision of the Supervisory Board, which appoints and revokes Management Board members and the Management Board chairman from the members of the Management Board, acting in accordance with the current provisions of the Bank's internal regulations and Charter.

According to the provisions of article 20.1 of the Charter, the number of Management Board members is minimum 3 and maximum 7 members, as established by the Supervisory Board (on December 31<sup>st</sup>, 2018, the Management Board had 5 members).

Thus, during 2018 the following changes took place in the structure of the Management Board, namely:

- ❖ Appointment of Mr. Michael Beitz, in the meeting of the Supervisory Board of 27.12.2017, as executive Vice-president of BCR, coordinator of the Risk functional line – approved by NBR on 15.03.2018 – his term in office shall end on 31.12.2019;
- ❖ Appointment of Mrs. Elke Meier, in the meeting of the Supervisory Board of 4.12.2017, as executive Vice-president of BCR, coordinator of the Financial Functional Line – endorsed by NBR on 18.05.2018 – her term in office shall end on 31.12.2020;

Management Board membership on December 31<sup>st</sup>, 2018:

MB Member	Position	Responsibility area
<b>Sergiu Manea</b>	President - CEO	Executive president
<b>Elke Meier</b>	Executive vice-president - CFO	Financial
<b>Dana Dima</b>	Executive vice-president	Retail & Private Banking
<b>Michael Beitz</b>	Executive vice-president - CRO	Risk
<b>Ryszard Druzynski</b>	Executive vice-president - COO	Operations & IT

#### Professional experience

MB Member	Professional experience					
	Financial markets	Management framework	Strategic planning	Risk Management	Interpretation of a credit institutions' financial information	Internal control processes
<b>Sergiu Manea</b>	✓	✓	✓	✓	✓	✓

Elke Meier	✓	✓	✓	✓	✓	✓
Dana Dima	✓	✓	✓	✓	✓	✓
Michael Beitz	✓	✓	✓	✓	✓	✓
Ryszard Druzynski	✓	✓	✓	✓	✓	✓

### Internal structure – subcommittees and their responsibilities

The Management Board meets in weekly meetings or whenever necessary. During 2018, the Management Board had 109 meetings, namely 49 regular meetings and 60 ordinary meetings held through other means of distance communication.

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

Subcommittee	Role and scope
<b>Assets and Liabilities Committee (ALCO)</b>	<p>Analyses/pre-approves/approves in the field of attracting resources and making investments, establishing an interest policy for the purpose of maintaining an adequate liquidity level, approving new products and services, eliminating from the BCR offer of products and services, within the authority limit established through rules of organisation and functioning and though other specific internal regulations.</p> <p>Decides upon the funding strategy and the management of the bank's assets and liabilities.</p> <p>During the year 16 meetings were held, of which 11 regular meetings and 5 per rollam.</p>
<b>Credit Committee (CC)</b>	<p>Analyses/pre-approves/approves the credit applications, the modification of conditions for the granting, utilising, guaranteeing and/or reimbursing of some credits previously granted, the requests to close the agreements and prolong their validity terms, the issuance the guarantee letters, the requests for endorsements, credit agreements, factoring operations and other facilities, within the authority limit established through bank regulations and other specific regulations, for retail, corporate and workout clients, within the limits of the competences defined based on BCR Operational Book.</p> <p>During the year 63 meetings were held, of which 39 regular meetings and 24 per rollam.</p>
<b>Costs and Investments Committee (CIC)</b>	<p>It analyses, decides, informs and assists the Management Board in fulfilling its tasks in the areas of:</p> <ul style="list-style-type: none"> <li>a) Project implementation and approval;</li> <li>b) Defining the regulatory framework for expenditures and investments, unrelated to customers; approval of specific financial methodology and group-</li> </ul>

related processes;

c) Monitoring expenses and investments; approval of general administrative expenses and investments; Cost Budgeting Coordination for the BCR Group: General Administrative Expenses, Investments and Incomes from Cost Type Officers (TCO);

d) Management of activities related to BCR and Subsidiary real estate properties;

e) Establishment of branches and agencies (retail / corporate network units);

f) Making decisions and formulating recommendations for the Self-Banking equipment strategy, its related budget structure and investment and operational improvements,

Within the authority limit established by BCR Operational Book.

During the year there were 27 meetings, of which 7 regular meetings and 20 per rollam meetings.

**Risk Committee of the Management Board (RCMB)**

Operative committee which is on one side, supporting the Management Board on the main risk items (e.g. risk strategy, risk policies) and on the other side, represents a forum where risk items are discussed and agreed with the main business.

During the year, it had 18 meetings, out of which 9 regular meetings and 9 per rollam meetings.

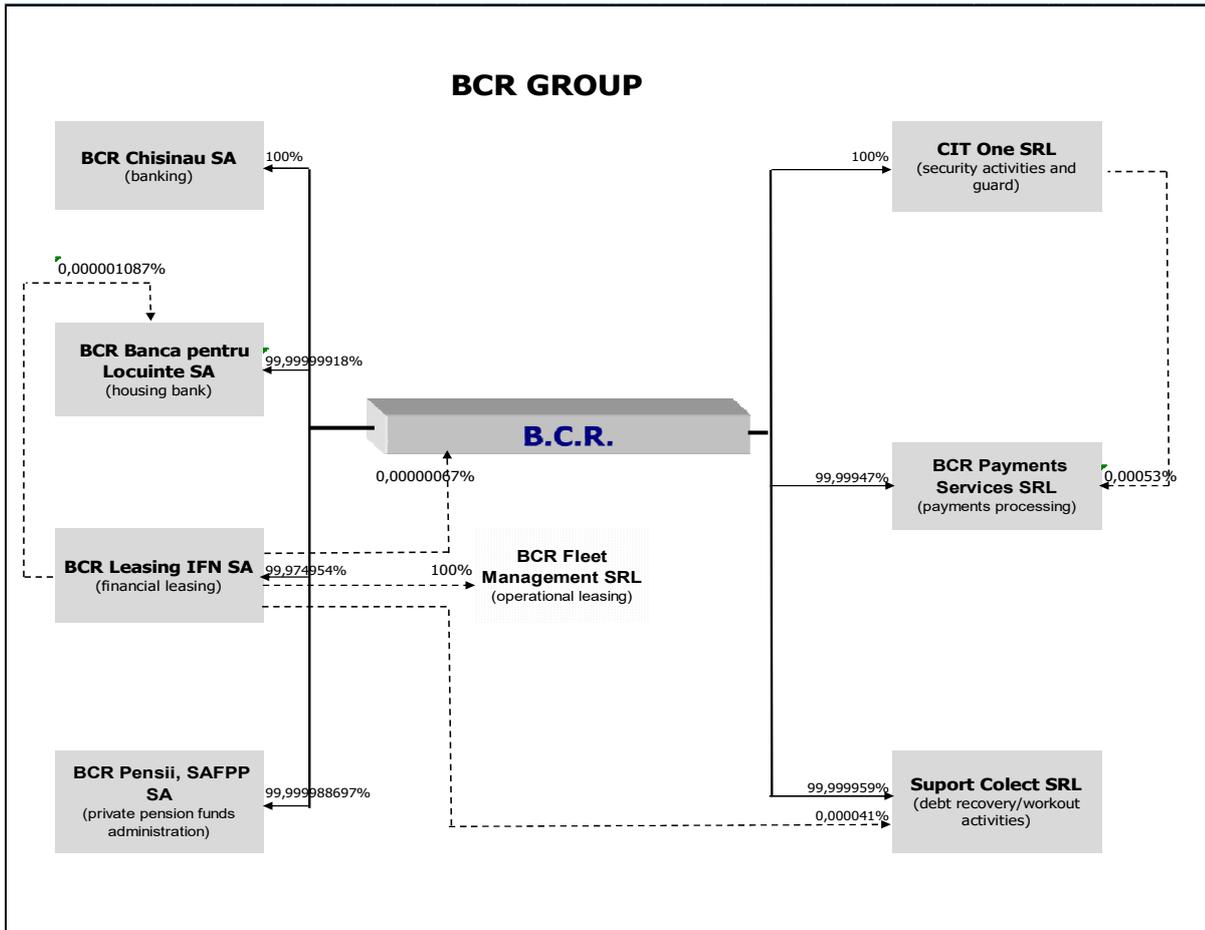
**IV. BCR Group structure and governance framework**

The corporate governance model at BCR Group level (and at the individual bank level) is based on the interaction of corporate governance structures at the bank level (e.g. shareholders, Management Board, group structure governance, risk management, compliance, internal audit, remuneration, communication).

The model for the subsidiaries governance is decentralized per BCR functions owner with the allocated responsibilities and with a centralized reporting to BCR management body in terms of their main activities and risks assumed. Oversight of BCR Group governance structure is performed by the corporate governance function exercised in BCR by Legal Division.

**A. BCR Group structure – overview**

On December 31, 2018 the BCR Group structure (Bank and its 8 subsidiaries) was as follows:



The BCR subsidiaries are registered companies active on the Romanian market (except for BCR Chişinău SA – financial institution registered in the Republic of Moldova), organized from a legal perspective as joint stock companies or limited liability companies, with their own governance system:

- Two-tier system (the management function is carried out by the Management Board /Directorate and the supervisory function ensured by the Supervisory Board): BCR Chişinău SA, BCR Banca pentru Locuinţe SA, BCR Pensii SAFPP SA, BCR Leasing IFN SA;
- Unitary system (management ensured by the Board of Directors): CIT One SRL, BCR Payments Services SRL, Suport Colect SRL and BCR Fleet Management SRL.

**BCR Banca pentru Locuinţe SA**

Subsidiary directly held by BCR, registered as a joint stock company, in 2008, in the context of regulations of the National Bank of Romania regarding credit institutions, as well as specific provisions and regulations for housing banks issued by the supervisory authority, the Ministry of Public Finance and the European Commission, with respect to the Basel III regulations.

The savings and loans company’s objective is to promote, support and capitalize on the development of the Romanian savings and loans system, offering savings and loans products (bauspar products), especially to individuals, as an alternative to housing loans, as well as medium - term deposit products.

Structure of the Supervisory Board on December 31, 2018:

Name	Position
<b>Elke Meier</b>	<b>Chairman</b>
<b>Alexandru Berea</b>	<b>Deputy Chairman</b>
<b>Pavel Vanek</b>	<b>Member</b>

Structure of the Management Board on December 31, 2018:

Name	Position
<b>Lucian Claudiu Anghel</b>	<b>CEO</b>
<b>Cristina Varzaru</b>	<b>Member</b>
<b>Arion Negrița</b>	<b>Member</b>

### **BCR Chișinău SA**

Subsidiary directly held by BCR, registered as a joint stock company, in 1998, under the Law of financial institutions of the Republic of Moldova no 550-XIII/21.07.1995. It's a medium-sized bank authorized to operate all kinds of banking activities in the Republic of Moldova.

The territorial network includes the headquarters in Chișinău, four branches (two in Chisinau, one in Bălți and the other one in Cahul) and an agency (located in Chisinau).

Structure of the Supervisory Board on December 31, 2018:

Name	Position
<b>Sergiu Cristian Manea</b>	<b>Chairman</b>
<b>Mihail Buștan</b>	<b>Member</b>
<b>Ganna Lishchenko</b>	<b>Member</b>

Structure of the Management Board on December 31, 2018:

Name	Position
<b>Juan Luis Martin Ortigosa</b>	<b>CEO</b>
<b>Natalia Codreanu</b>	<b>Member</b>
<b>Iurie Rusu</b>	<b>Member</b>

### **BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA**

Subsidiary directly held by BCR, registered as a joint stock company in 2007, under the specific legislation issued by the Financial Supervisory Authority. The company operates in the private pension funds management field: Fondul de Pensii Administrat Privat BCR (Pillar 2) and Fondul de Pensii Facultativ BCR Plus (Pillar 3).

Structure of the Supervisory Board on December 31, 2018:

Name	Position
<b>Dana Luciana Dima</b>	<b>Chairman</b>
<b>Elke Meier</b>	<b>Member</b>
<b>Dragos Valentin Neacsu</b>	<b>Member</b>

Structure of the Directorate on December 31, 2018:

Name	Position
<b>Radu Craciun</b>	<b>CEO</b>
<b>Liviu Lucian Matu</b>	<b>Member</b>
<b>Adela Maria Cercel</b>	<b>Member</b>

### **BCR Leasing IFN SA**

Subsidiary directly held by BCR, registered as a joint stock company in 2001, currently one of the important players on the Romanian leasing market. The company is governed by Law no 93/2009 on non-banking financial institutions.

The main activity of the subsidiary is to provide financial/financing leasing services - flexible and efficient solutions for the financing of passenger and commercial motor vehicles, light and heavy equipment, providing immediate access to the goods for which financing is granted, the possibility of paying VAT in instalments and also paying the residual value at the end of the leasing agreement and zero VAT for intercommunity financing transactions.

Structure of the Supervisory Board on December 31, 2018:

Name	Position
<b>Sergiu Cristian Manea</b>	<b>Chairman</b>
<b>Frank Michael Beitz</b>	<b>Member</b>
<b>Georg Haslinger</b>	<b>Member</b>

Structure of the Directorate on December 31, 2018:

Name	Position
<b>Bogdan Ionut Speteanu</b>	<b>CEO</b>
<b>Nicoleta Claudia Tomescu</b>	<b>Member</b>
<b>Mihai Tasulea</b>	<b>Member</b>

#### **CIT One SRL**

Subsidiary directly held by BCR, registered as limited liability company and established in 2009, with the purpose of optimizing costs related to cash processing and transportation activity at BCR level. Starting with 2015, the company was authorized to carry out security activities, besides cash transport and processing services.

Structure of the Board of Directors on December 31, 2018:

Name	Position
<b>Ryszard Ferdynand Druzynski</b>	<b>Chairman</b>
<b>Elke Meier</b>	<b>Member</b>
<b>Frank Michael Beitz</b>	<b>Member</b>

#### **BCR Payments Services SRL**

Subsidiary directly held by BCR, registered as a limited liability company, in 2011, in order to take over a part of the payment processing activity of BCR, so as to increase efficiency in payments processing by reducing related costs.

The company is responsible for the centralized processing of payments transactions and debit instruments in local and foreign currency, the opening, closing and maintaining of BCR's client accounts.

Structure of the Board of Directors on December 31, 2018:

Name	Position
<b>Ryszard Ferdynand Druzynski</b>	<b>Chairman</b>
<b>Sergiu Cristian Manea</b>	<b>Member</b>
<b>Dana Luciana Dima</b>	<b>Member</b>

#### **Suport Colect SRL**

Subsidiary directly held by BCR, organized as limited liability company, in 2009, with the purpose of improving the recovery of the overdue loans granted by BCR, in the context of the global crisis. Its main activity is monitoring and recovering/buying receivables from clients.

Structure of the Board of Directors on December 31, 2018:

Name	Position
Frank Michael Beitz	Chairman
Sergiu Cristian Manea	Member

**BCR Fleet Management SRL**

Subsidiary indirectly held by BCR, through the BCR subsidiary, BCR Leasing IFN SA (sole shareholder) in 2009, organized as a limited liability company, which provides for BCR Group operational leasing services and car fleet management.

Structure of the Board of Directors on December 31, 2018:

Name	Position
Bogdan Ionut Speteanu	Chairman
Sergiu Cristian Manea	Member
Frank Michael Beitz	Member

**B. BCR Group governance framework**

The organizational structure of the BCR Group is transparent, in accordance with BCR organizational structure, established as a means to promote efficiency and show a prudent management.

The basic principles for an efficient supervision of the BCR subsidiaries, together with the internal regulations of the Bank, represent in the same time, the framework and sound basis for the compliance, supervision, governance and risk management activity.

The roles and responsibilities of BCR’s Management Board members include, as well, the activity of supervision of the Bank’s subsidiaries, which are responsible for ensuring:

- a corporate governance framework within BCR Group;
- the implementation of the governance polices and mechanisms adequate to the structure, activity and risks incurred by the BCR Group entities.

In this context, in establishing the corporate governance framework at BCR Group level, the BCR Management Board holds the following competences (of approval/pre-approval) regarding the subsidiaries:

- ✓ the governance structure;
- ✓ the general business strategy, the business plan and the main activity fields;
- ✓ changes of the main object of activity;
- ✓ merger/split, dissolution and liquidation;
- ✓ acquiring its own shares exceeding 10% of the subsidiary’s share capital, when such acquisition is allowed according to the companies’ law; and

- ✓ proposals of candidates for the appointment as members in the Supervisory Board or Board of Directors;
- ✓ decisions on the approval, at subsidiary level, of all topics included on the agenda of the General Shareholders Meeting of such company, except for those under the responsibility of the BCR Supervisory Board.

Likewise, BCR Management Board supervises the activity of the bank's subsidiaries by means of its subordinated committees, thus ensuring the implementation of a joint strategy at Group level. Based on specific roles and responsibilities, the Management Board members are appointed within the Supervisory Boards/Boards of Directors of such entities, as the case may be.

The BCR Management Board members appointed within the Supervisory Boards/Boards of Directors of BCR subsidiaries have specific duties established by the Company Law, the Charter and other internal regulations of such entities, depending on the nature and complexity of their type of activity, by observing, at the same time, the legal requirements at local level.

In order to ensure an adequate corporate governance framework within BCR Group and also governance policies and mechanisms proper to the structure, activity and risk implied by the group entities, each member of the BCR Management Board, which is also a member of the Supervisory Board/Board of Directors of a subsidiary, will ensure that all strategic decisions, standards and policies implemented in BCR/Erste Group will be observed and properly implemented within each company.

## **V. Performance management and remuneration strategy**

Within BCR, the performance management is supported by the **Performance and Professional Development System (PDS)**, by means of a state-of-the-art and accessible IT tool – PDS application, applicable to all employees within BCR Group.



The Performance and Professional Development System has an impact on the employees with regard to their future professional development and career evolution.

The individual performance is assessed from two perspectives:



Given the particularities of sales functions from Retail network, the business objectives and performance - bonus correlation is governed, for this category of staff, by the **Retail incentive scheme**.

The remuneration philosophy of BCR adapts to the realities of the banking sector and economic environment. It is based on BCR business strategy and long-term goals, the Bank's culture and organizational structure and influenced by market practice.

BCR focuses on implementing and promoting a pay-for-performance philosophy, with the following key elements:

- Creating a direct correlation between remuneration and performance;
- Fixed remuneration (base salary) is concentrated on individual performance (individual results within the context of organisational responsibility and individual skills);
- Yearly variable component relies on the Bank's performance, organisational structure wherein the activity is carried out and the individual side (individual results);
- Incentives are granted based on certain key performance indicators that take into account both quantity and quality criteria.

BCR shall, from time to time, evaluate its remuneration practices (at least on annual basis), in order to ensure that:

- incentives are correctly established, risks are efficiently managed and excessive risk taking is not encouraged;
- the principles envisaged within the Remuneration Policy comply with all regulation principles in force.

Within BCR, the total remuneration package is composed of the following elements:

- Fixed remuneration:
  - Base salary;
  - Benefits
- Variable remuneration.

## **VI. Community**

**Any community values dignity, kindness, honesty and wisdom.** These core values are part of BCR's principles: **Client first, Accountability, Performance, Cooperation, Initiative, Discipline and Results.** This is what we are offering to our clients when we work and behave according to BCR's principles.

As 70% of Romanians believe the country is going the wrong direction, and only 14.2% continue to trust in the banking system, it is BCR's duty, as the largest local bank, to be **a connector** and **a catalyst** for Romania's development. We should be **The Bank for Romania, as well as responsible citizens**, with sound principles, integrate the bank in the community and **intermediate and support value development** in the communities we belong.

Following this vision, **BCR's strategic directions regarding** community outreach:

- ✓ **Financial education** is one of the strategic directions of community outreach generated by a stringent need as Romania has one of the lowest levels of financial education in Europe, according to the latest Eurostat study. It is our duty, to help our clients regain confidence in banks by understanding them better and helping them better understand their financial needs. The Money School is the financial education program of the Romanian Commercial Bank, with adapted components for each age category, developed at the national level. The Money School for Adults (scoala de bani pentru adulti) means financial education for Romanians over 25 years of age. The Money Schools of Wheels (FLIP Truck) represents financial education for children aged 7-14. The mask of infinite possibilities means financial education for young people aged 15-25. Additionally, we support the APPE's project, from Game to Financial Education, where we distribute financial education kits for children aged between 6 and under in kindergartens.

In 2018, Banca Comerciala Romana became the first bank in Europe to enter the Guinness World Records with the largest financial education lesson, running simultaneously in several locations, managing to beat the record previously held in the United States by PricewaterhouseCoopers, which was of 5,640 people.

On October 31, 2018, on occasion of the International Savings Day it was organized world's largest financial education lesson, simultaneously in 59 locations across the country, with the support of the top 25 universities in the country. Our courses were attended, officially and audited, by 13.230 young people whom we taught to be more careful about the financial decisions they make, to understand the difference between needs and desires, how to make a personal budget, and how, in time, with determination and discipline, become financially independent.

- ✓ **Supporting and promoting leaders and role models** through participating in the creation of a positive and inspiring framework for the development of Romania. BCR has proudly and respectfully become the official sponsor of the Romanian National Team of Mathematics, further applauding the Business Champions and being a link between business, civil society, media and the public sector, supporting the Connection conference.
- ✓ **Education for developing practical skills**, having strategic partnerships with the largest universities in the country, with the main purpose of creating projects to help develop students' practical skills so that they can integrate more easily into the labor market.

BCR has concluded strategic partnerships with the University of Bucharest, West University in Timisoara, *Babes-Bolyai* University in Cluj-Napoca and *Alexandru Ioan Cuza* University in Iasi.

- ✓ **Civic leadership** with development of Bursa Binelui (Scholarship for Good Doing) and Brutaria de Fapte Bune (Bakery of Good Deeds), through which hundreds of NGOs and projects are supported each year.

Also, **BCR team members** are encouraged to act as **responsible citizens** in the communities they belong. BCR employees have the right to a day off for volunteering activities; they are encouraged to suggest and implement projects with real social impact and to redirect 2% of their income tax to social welfare companies.



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