



# **BANCA COMERCIALĂ ROMANĂ SA**

## **CORPORATE GOVERNANCE FRAMEWORK REPORT**

**2016**



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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 based on a corporate governance framework, in observance of the Romanian and EU legal and regulatory requirements, as well as in alignment with Erste Group guideline and the best international practices in the field.

### BCR principles guiding the bank's activity:

#### Clientul pe primul loc



**Client first** – We offer services of financial intermediation. We take over the risk and offer trust. We build a long term mutually beneficial relation with our clients.

#### Performanță



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

#### Responsabilizare



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

#### Colaborare



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

#### Inițiativă



**Initiative** – We encourage initiative, anticipation and prompt reaction 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 society.**

We are the largest bank in Romania. We are big and we are everywhere; and **our commitment is to create success and prosperity for the country. We need Romania's success and Romania needs us.**

We are prepared to play a significant role in Romania's future, **by mobilising the financial and intellectual capital** and we are going to offer 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.

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

- **Financial education**
- **People matter**
- **Doing the right thing**

## **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 creditability 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 field.

The report has the role of annually assessing 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, through its supervisory and executive management functions, supervises and implements an activity management framework that ensures the efficient and cautious management of the credit institution.

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 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 organisational 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 organised corporate governance helps ensure the Bank's stability and maintains corporate governance and business conduct standards.

### Shareholding

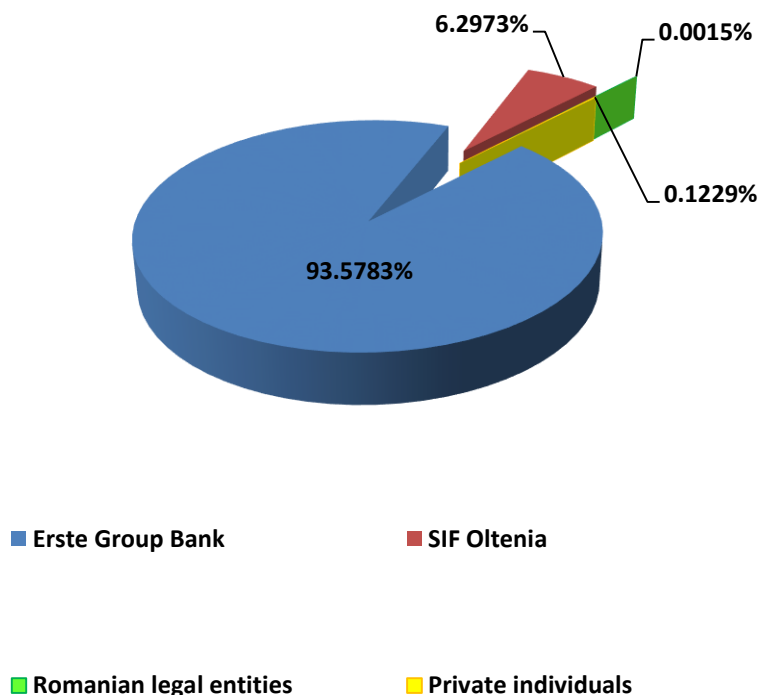
The Bank's subscribed and paid up capital is RON 1,625,341,625.40, divided in 16,253,416,254 nominative shares, with a nominal value per share of RON 0.1.

The BCR shareholding structure as of 31.12.2016:

- **Erste Group Bank AG**, Am Belvedere 1, 1100, Vienna, holds **15,209,668.849** nominative shares, worth RON 0.1 lei each, representing 93.5783% of the total share 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 share capital, RON 102,353,430.30 respectively;
- **Romanian legal entities** (namely: 1. *SC Actinvest SA holds 226,802 shares*; 2. *FDI Certinvest Dinamic holds 13,699 shares*; 3. *BCR Leasing 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, representing 0.0015% of the total share capital, RON 24,061.20 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, RON 1,997,249.00 respectively.



### 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 out all diligences to protect and facilitate shareholders in exercising their rights, by clear and transparent provisions at the bank’s level:

- The right to safe registration means for shareholders/ associates;

- 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 significant part 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 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.

In 2016, 6 meetings took place, out of which 3 ordinary and 3 extraordinary meetings, with mainly the following topics on the agenda:

- Approval of the revenue & expenditure budget related to the 2016 financial exercise;
- Approval of the financial statements for the financial exercise concluded on 31.12.2015;
- Distribution of profit for the financial exercise concluded on 31.12.2015;
- Renewal of the mandates/appointment of the directors for a new mandate and their remuneration;
- Appointment of the independent financial auditor;
- Merger through absorption of two companies from the BCR Group.

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 exercised in the general shareholders meetings;
- Timely, regular, complete and accurate reporting to shareholders and the independent auditor of all current, financial, administrative and extraordinary activities.

### **III. BCR Management structure**

#### **A. Organisational structure of BCR**

BCR is organised in business lines at central level and it holds a network of branches serving the retail and corporate business 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.

In 2016, the Bank went through a complex restructuring process, as follows:

- In a first stage – the merger between the Corporate & Capital Markets and CEO business lines, under the coordination of the BCR CEO – Mr Sergiu Manea, implemented on September 2<sup>nd</sup>, 2016;
- In a second stage, implemented on September 30<sup>th</sup>, 2016 – the workout activity from the business line Remedy, Restructuring and Recovery was integrated in the Risk business line, under the coordination of the Risk Executive Vicepresident.

Therefore, the business lines were reduced from 7 to 5, the same as the Management Board members, which were also reduced from 7 to 5.

After all the changes, in the end of 2016, the bank is organised in 5 business lines, as follows:

- One business line subordinated to the CEO;
- And 4 business lines covering the following areas: Operations & IT, Retail & Private Banking, Financial, Risk each made up of several functional entities subordinated to the 4 Executive Vicepresidents.

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 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 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's Charter the Supervisory Board members are nominated by shareholders or by other acting Supervisory Board members.

Considering that the 3-year mandate of the BCR Supervisory Board members, which started on April 23<sup>rd</sup>, 2013 ended on April 22<sup>nd</sup>, 2016, the OGSM relected/elected, by secret vote, the BCR Supervisory Board members for a new 3-year mandate, starting on April 23<sup>rd</sup>, 2016.

As such, the Supervisory Board structure at the end of 2016 was the following:



SB Member	Position	Starting date of mandate	Ending date of mandate
Manfred Wimmer	Chairman	23.04.2016	23.04.2019
Andreas Treichl	Deputy Chairman	23.04.2016	23.04.2019
Gernot Mittendorfer	Member	23.04.2016	23.04.2019
Hildegard Gacek	Member	23.04.2016	23.04.2019
Wilhelm Koch	Member	23.04.2016	23.04.2019
Brian O'Neill	Member	23.04.2016	23.04.2019
Tudor Ciurezu	Member	23.04.2016	23.04.2019

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 **Procedure concerning the nomination and suitability assessment process related to Supervisory Board members.**

#### Professional experience

SB Member	Professional experience				
	Financial	Regulation framework	Planning and strategy	Risk management	Financial information interpretation
Manfred Wimmer	✓	✓	✓	✓	✓
Andreas Treichl	✓	✓	✓	✓	✓
Gernot Mittendorfer	✓	✓	✓	✓	✓
Hildegard Gacek	✓	✓	✓	✓	✓
Wilhelm Koch	✓	✓	✓	✓	✓
Brian O'Neill	✓	✓	✓	✓	✓
Tudor Ciurezu	✓	✓	✓	✓	✓

#### Internal SB internal structure - subcommittees and their responsibilities

The Supervisory Board gathers 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 2016 there were 29

Supervisory Board meetings, organised in compliance with the provisions of the Charter and of the Supervisory Board Internal Rules, out of which 6 were regular meetings and the others were held through correspondence.

In order to fulfil its attributions, the Supervisory Board established the following committees:

- **The Audit and Compliance Committee** – it has a consultative role, as it was established in order to assist the Supervisory Board 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 Supervisory Board in carrying out its attributions in relation to risk management and is a consultative entity which revises, reports to, counsels and assists the Supervisory Board 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 Supervisory Board 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 Supervisory Board in carrying out its attributions related to the nomination and suitability assessment of Supervisory Board and 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	
Hildegard Gacek				
Wilhelm Koch				
Brian O'Neill	Chairman	Member	Member	Member

### **Control instruments in relation to the Management Board**

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

- The Supervisory Board 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;
- The Supervisory Board represents the Bank in what concerns communications with the Management Board;
- The Supervisory Board is not involved in the day-to-day administration of the Bank, and these attributions are not appointed to the Supervisory Board, except for certain provisions included 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 Supervisory Board, which appoints and revokes Management Board members and the Management Board chairman from the existing members, 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 established by the Supervisory Board (on December 31<sup>st</sup>, 2016, the Management Board had 5 members).

Thus, in 2016, the following changes took place in the composition of the Management Board, namely:

- ❖ Mr Bernd Mittermair's term in office as BCR Executive Vicepresident ended on 30.06.2016;
- ❖ Mr Jonathan Locke's term in office as BCR Executive Vicepresident ended on 14.10.2016;
- ❖ Mr Paul Ursaciuc's term in office as BCR Executive Vicepresident ended on 30.11.2016.

On 24.10.2016, the BCR Supervisory Board appointed Mr Bernhard Spalt as member of BCR's Management Board, coordinator of the Risk business line, starting on 01.01.2017, but no sooner than the National Bank of Romania approval date, in order to be able to officially take over his responsibilities/begin his mandate. He has a three (3)-year mandate.

**Management Board membership on December 31<sup>st</sup> 2016:**

MB Member	Position	Responsibility area
<b>Sergiu Manea</b>	President - CEO	Executive president
<b>Adriana Jankovicova</b>	Executive vice-president - CFO	Financial
<b>Dana Demetrian</b>	Executive vice-president	Retail & Private Banking
<b>Vacant position</b>	Executive vice-president	Risk
<b>Vacant position</b>	Executive vice-president	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
Sergiu Manea	✓	✓	✓	✓	✓	✓
Adriana Jankovicova	✓	✓	✓	✓	✓	✓
Dana Demetrian	✓	✓	✓	✓	✓	✓

**Internal structure – subcommittees and their responsibilities**

The Management Board meets in weekly meetings or whenever necessary. During 2016, the Management Board had 96 meetings, namely 54 regular meetings and 43 ordinary meetings held through other means of distance communication.

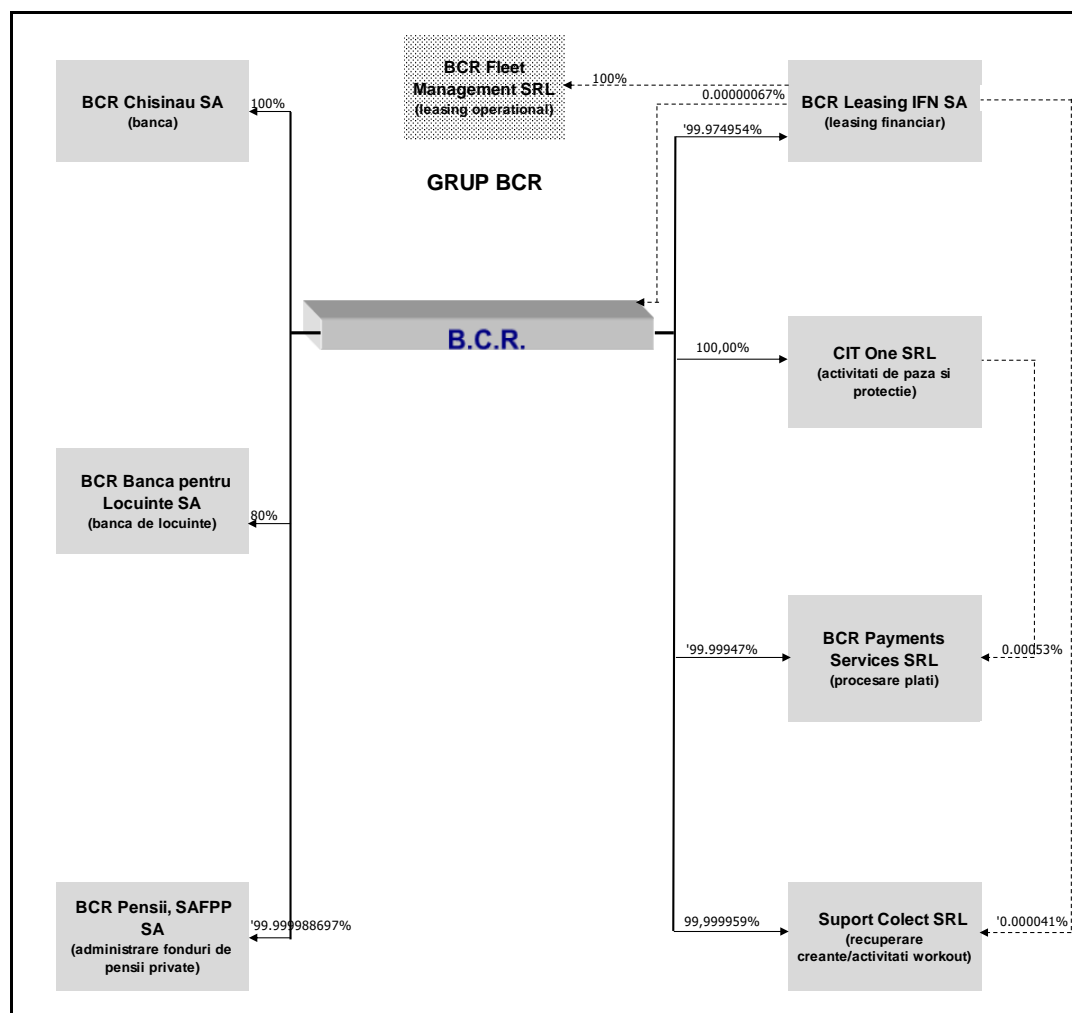
In order to carry out its responsibilities, the MB has created the following committees:

Subcommittee	Role and scope
Assets and Liabilities Committee	<p>Decides upon the funding strategy and the management of the bank's assets and liabilities.</p> <p>During the year 12 regular meetings were held.</p>
Credit Committee	<p>Decides with respect to retail and corporate loans: validates and decides on granting loans and other commitments (letters of guarantee, yearly reviews etc.) within competencies defined by BCR Operational Book.</p> <p>During the year 52 regular meetings and 110 per rollam meetings were held.</p>
Costs and Investments Committee	<p>Analyses, decides, informs and assists the Management Board in fulfilling its responsibilities in the following areas: prioritization/approval/project monitoring, implementation of CRs for the approval of the target related to IT releases, definition of the regulation framework for expenses and investments and approval of the specific financial methodology and group-related processes, monitoring of the expenses and investments, approval of management expenses and CAPEX investments, management of the activities related to real estate management for BCR and subsidiaries, budgeting costs for BCR Group, setting up of branches and banking units, formulation of recommendations regarding the strategy of Self-banking equipment, the related budget structure and investments in operational improvements.</p> <p>During the year, it had 12 regular meetings and 10 per rollam meetings.</p>
Risk Committee of the Management Board	<p>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 10 regular meetings and 18 per rollam meetings.</p>

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

**A. BCR Group structure – overview**

On December 31, 2016 the BCR Group structure (Bank and 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 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 Locuințe 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.

Compared with December 31, 2015, in 2016 the group’s composition suffered the following changes:

- completion of the voluntary liquidation procedure of one of its subsidiaries - Financiara SA;
- merger with BCR of the 2 subsidiaries specialized in real estate management - BCR Real Estate Management SRL and Bucharest Financial Plaza SRL.

**BCR Banca pentru Locuințe 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, 2016:

<b>Name</b>	<b>Position</b>
Dana Demetrian	<b>Chairman</b>
Josef Schmidinger	<b>Deputy Chairman</b>
Adriana Jankovicova	<b>Member</b>
Astrid Kratschmann	<b>Member</b>
Alexandru Berea	<b>Member</b>

Structure of the Management Board on December 31, 2016:

<b>Name</b>	<b>Position</b>
Lucian Claudiu Anghel	<b>CEO</b>
Cristina Varzaru	<b>Member</b>
Erwin Bernhard	<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, two branches (one in Chisinau and the other one in Bălți) and an agency (located within the Romanian Embassy's premises). Currently, BCR Chișinău intends to extend its territorial network by opening two new branches in Chisinau and Cahul.

The structure of the Supervisory Board on December 31, 2016:

<b>Name</b>	<b>Position</b>
Sergiu Manea	<b>Chairman</b>
Mihail Buștan	<b>Member</b>
Rastislav Kovacik	<b>Member</b>

The structure of the Management Board on December 31, 2016:

<b>Name</b>	<b>Position</b>
Juan Luis Martin Ortigosa	<b>CEO</b>
Natalia Codreanu	<b>Member</b>
Iurie Rusu	<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, 2016:

<b>Name</b>	<b>Position</b>
Dana Demetrian	<b>Chairman</b>
Adriana Jankovicova	<b>Member</b>
Dragos Valentin Neacsu	<b>Member</b>

Structure of the Directorate on December 31, 2016:

<b>Name</b>	<b>Position</b>
Radu Craciun	<b>CEO</b>
Melania Nela Mirea	<b>Member</b>
Adela Maria Cercel	<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 Supervisory Board on December 31, 2016:

<b>Name</b>	<b>Position</b>
Sergiu Manea	<b>Chairman</b>
Bernhard Spalt	<b>Member</b>



Georg Haslinger	Member
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Structure of the Directorate on December 31, 2016:

Name	Position
Bogdan Ionut Speteanu	CEO
Nicoleta Claudia Tomescu	Member
Mihai Tasulea	Member

#### **CIT One SRL**

Subsidiary directly held by BCR, registered as limited liability company, 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, 2016:

Name	Position
Paul Ursaciuc	Chairman
Adriana Jankovicova	Member

#### **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, 2016:

Name	Position
Paul Ursaciuc	Chairman
Sergiu Manea	Member
Dana Demetrian	Member

#### **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, 2016:

<b>Name</b>	<b>Position</b>
Adriana Jankovicova	<b>Chairman</b>
Bernhard Spalt	<b>Member</b>

### **BCR Fleet Management SRL**

Subsidiary indirectly held by BCR, through the BCR subsidiary, BCR Leasing IFN SA (sole shareholder) in 2008, 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, 2016:

<b>Name</b>	<b>Position</b>
Bogdan Ionut Speteanu	<b>Chairman</b>
Sergiu Manea	<b>Member</b>

## **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 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 of the bank.

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;

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- ✓ 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. Considering 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 companies's 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.

In order to ensure an efficient supervision of the entities within BCR Group, **the following set of good practices is applied:**

- all matters to be submitted for information/pre-approval/approval to the Supervisory Boards/Boards of Directors of the subsidiaries are discussed and coordinated by BCR divisions relevant in that industry, in order to ensure compliance with the Group policies and competences;
- the final documentation prepared by BCR subsidiaries to be presented during the meetings of the Supervisory Board/Board of Directors is previously validated by the relevant BCR divisions.
- For the topics on strategic decisions, business plans, specific business, significant transactions or members' appointment within the executive management of subsidiaries submitted for approval to the subsidiaries' Supervisory Boards/Boards of Directors, in accordance with the internal rules of BCR/subsidiaries, the prior approval of the BCR management bodies shall be necessary.

The supervisory activity of the subsidiaries is fulfilled, as well, by BCR internal control functions with entities responsible for the supervision of subsidiaries' activity, namely: Internal Audit Division, Compliance Division, Strategic Risk Management Division, Financial Crime Prevention Division.

## **V. Performance Management and Remuneration Strategy**

Within BCR, the performance management is sustained 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 is designed to assist employees in their future professional development and career evolution.

The achievement degree is computed depending on the final outcome of the following index categories:

- business targets (KPI – 75%);
- core competences (25%).

### **The 5 core competences of Erste Group**

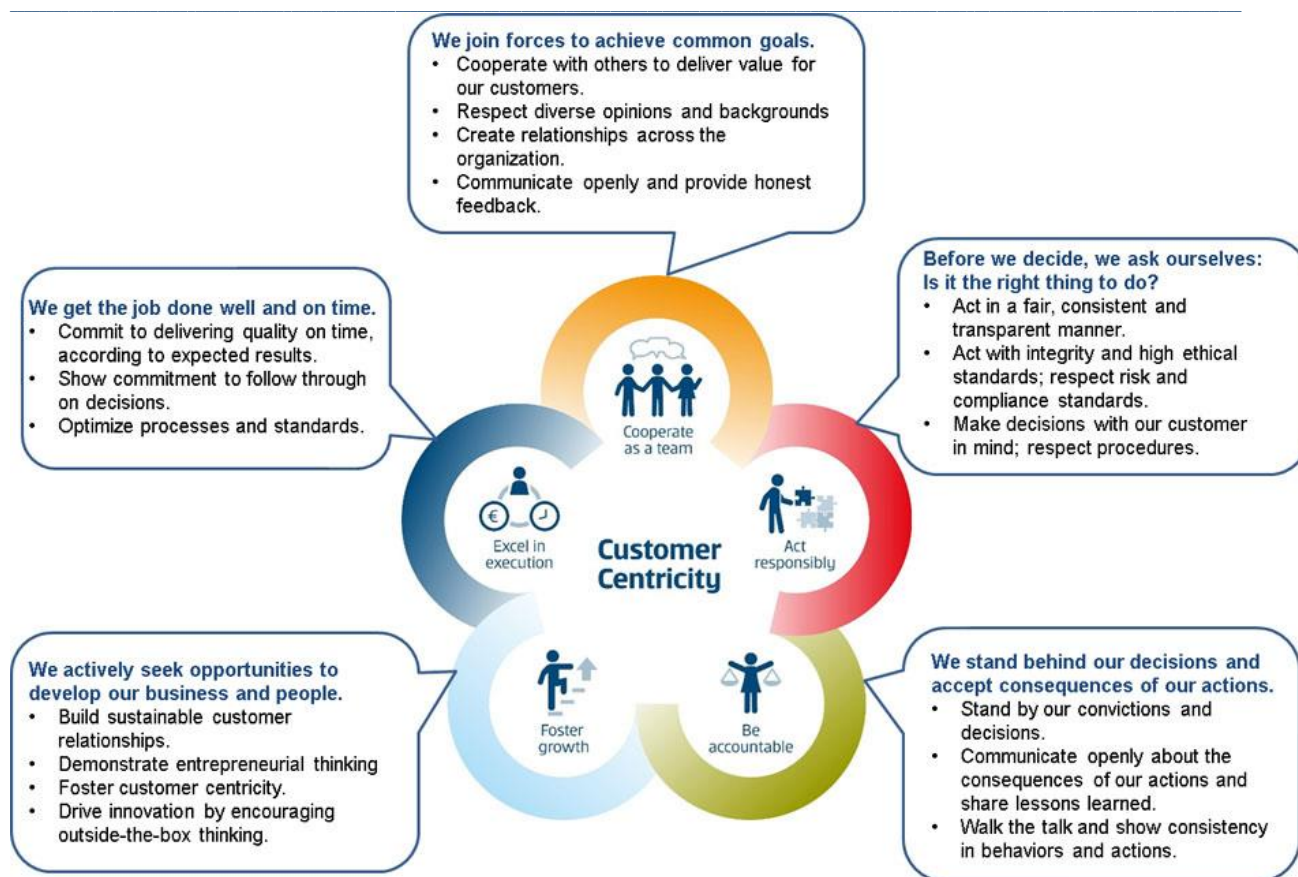
The 5 competences enable us to meet strategic targets by establishing a joint corporate experience and placing the client at the core of all our activities.

They describe conducts that help us be competitive and reliable banking partners for our clients meet our targets and successfully overcome any challenge.

The core competences shall become integral part of our corporate culture, as they define our approach towards our clients and colleagues, but also our work in general. All five basic competences are interconnected. They are contributing to our joint success and to enriching the “Erste Expertise”, granting us the support in conducting the daily activities.

Basic competences apply to all employees of Erste Group, regardless of their hierarchical level or business area.

However, the detailed implementation of core competences must be considered in relation to the specific tasks of each individual, in order to improve the activity and achievement of objectives of separate entities or of business lines in the most positive way.



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, where variable remuneration applies;
- 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.

**BCR's strategic directions** in the relation with the community:

- Supporting and promoting leaders and role-models;
- Education for practical skills development;
- Civic leadership.



✓ **Supporting and promoting leaders and role models**, by taking part in the creation of a positive and inspirational framework for Romania's development.

✓ **Education for practical skills development**, by strategic partnerships with the largest universities in the country, with the main goal of creating projects which help develop practical skills of students for an easier integration in the labour market.

✓ **Civic leadership**, by developing projects which annually support hundreds of NGOs, as well as by encouraging employees to be responsible citizens, thus integrating the bank in the community.

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.

## 1. Financial education

- **Money School (Școala de Bani)** – is a complex financial education project meant for adults, clients and non-clients, in which colleagues from BCR, who become financial education teachers after attending a training, will meet the clients in branches and at their companies' headquarters, as well as non-clients, aiming at increasing their awareness on how to make financial decisions. Training materials were specially developed for this project and rely on international financial education principles. They are completely non-commercial – they do not refer to any of the BCR's products or services, BCR being the first organiser of an adult financial education program of such magnitude. By the end of 2016 we trained **350 BCR employees** who became „financial education teachers” and who worked, during the workshops organised last year, with approximately **500 persons**, increasing their awareness on how to make financial decisions, on how to build their personal budget and how to improve their financial decisions.
- **De la Joc la Educație Financiară (From Playing to Financial Education)**, a project initiated by the National Bank of Romania and the Association for Promotion of Educational Performance, in partnership with BCR and the Ministry of Education, continued in 2016, as well, BCR being the main partner and the only banking partner. The project consisted in carrying out trainings and informative activities for children, school staff and parents, on basic financial education notions, supporting personal development and implicitly community development. During this project, 23.000 financial education books for pre-school level were distributed, in 16 counties and in Bucharest, in almost 200 kindergartens. Also, 4 press conferences were held in Bucharest, Cluj, Timișoara and Iași and our colleagues had the opportunity to directly interact with the children, teachers and parents during the book distribution sessions.

## 2. Supporting and promoting leaders:

- **Hai la Olimpiadă (Let's go to the Olympiad!)** is a program launched by eMAG foundation, joined by BCR in 2014, to support education performance. We support both the extension of training centres for high potential children, as well as the organisation of national olympiads and preparation of the international mathematics team. After four years, „Hai la Olimpiadă!” consists of **3.286 passionate pupils** who are training in Mathematics, Informatics and Physics, under the guidance of **290 dedicated teachers**. In 2016 we reached 22 performance centres, in 12 cities nationwide. For 2017 we aim to cover 20 cities across the country and to have at least 5.000 pupils in the “Hai la olimpiadă!” centres.
- **Youth Capital in Romania** is the most ambitious national program for the youth, as it emphasizes on developing youth ecosystems in Romania, in general, and in the urban environment, in particular. Within this program, local authorities work together with youth oriented NGOs and the private environment, placing the young at the core of the urban development process. Each year, a city in Romania receives, following a concepts competition, the title of Youth Capital in Romania and is financially supported, by means of training and consultancy, in preparing and implementing initiatives included in the candidate file. The Youth Capital in Romania was launched in 2016 and was initiated by BCR, in partnership with the Romanian Youth Council (CTR) – a Romanian youth representative entity, SHARE Federation Cluj-Napoca– co-manager of Cluj-Napoca 2015 program, the European Youth Capital and PONT Group – a group of youth experts, the initiator of the preparatory measures for the Youth Capital in Romania, based on Cluj-Napoca's experience as candidate for the European Youth Capital of 2015. The first city in Romania to hold the title of Youth Capital in Romania is Timișoara, which took the role of pioneer of this program between May 2<sup>nd</sup>, 2016 and May 1<sup>st</sup>, 2017. Moreover, the 2017 edition takes place under the High Patronage of the President of Romania, Klaus Iohannis.

## 3. Education for developing practical skills

- **Career lab** is an informal learning platform specially designed by BCR, in a partnership with The School of Values (Scoala de Valori), in order to help young people develop soft skills and to gain easier access to the labour market. The official platform containing modules for personal planning, career development, financial skills and behaviour was launched in 2016.
- **Summer Job in BCR** is a financial education competition and the first paid internship project, designed for Romanian high-school students. Its purpose is to offer students their first working experience within a company and help them acquire banking and financial notions, through practice, with the help of BCR mentors. In 2016 we selected 60 students who attended a 2 months paid internship in BCR.

## 4. Civic leadership

- **The Good Causes Award** [www.bursabinelui.ro](http://www.bursabinelui.ro) is the only free of charge platform for donations in Romania which brings together organizations that need support in order to carry out various projects, as well as people who wish to involve in good causes in their community. Currently there are 300 organizations on the platform, which managed to raise over EUR **300,000** from online donations in



the past 4 years. In 2016, over **7,000 people** donated for the submitted projects, and over EUR **107,000** were raised for the 191 projects enrolled in the competition.

- **Bakery of Good Deeds** 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 2016, over 40 projects entered the competition, from all over the country, over 100 employees were involved as members of the project teams or mentors, EUR 15,000 were used to implement the 5 winning projects and the projects which entered the competition gather a few thousand beneficiaries.
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