



BANCA COMERCIALĂ ROMÂNĂ SA

**CORPORATE GOVERNANCE
FRAMEWORK REPORT**

2019



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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 guidelines and the best international practices in the field.

Corporate governance in BCR



The corporate governance model applied both at the level of the BCR Group and at the individual Bank level is based on the interaction between the essential components of corporate governance, as they are presented in the image above. These components are implemented through policies, procedures, working instructions and dedicated processes, set up at the level of the functional lines of each entity (the Bank and 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 continuously improve the corporate governance framework 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 decision-making;
- Prevention of conflicts of interest at the level of the entire Bank;
- Implementing an efficient internal control system;
- Adequate separation of duties.

BCR Mission

The BCR mission is to increase Romania's economy and create prosperity. The Bank aims to be the most prestigious provider of financial services for its clients, private individuals, companies or public institutions. But in order to truly fulfill the role of catalyst of the Romanian economy, of financial supporter of communities and population, we must evolve and adapt permanently to the market demands.

We do this in order to strengthen our clients' confidence when they entrust us their money or when we finance them.

The confidence stems from our professionalism, from the responsibility or the way of providing the banking products and services which prove to the clients that Banca Comercială Română really cares about them and their needs.

A powerful bank is built by powerful people. By a team whose members are united by the same mission and ideals.

We, the people of the bank, are the ones who build, every day, the BCR Group, through our attitude and results.

Therefore, in order to reinforce our organizational identity and to have a common benchmark on the right attitude in our daily work, we have developed a series of principles that help us better understand our role within the bank. Thus, we will know how to act with passion and responsibility, ensuring the sustainable success of the bank - for us, for our clients and for Romania.

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, reassesses 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, of Erste Group Bank guidelines, as well as the best international practices in the field.

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 defines, supervises and implements an activity management framework that ensures the efficient and prudent management of the credit institution.

Based on the provisions of Companies Law no. 31/1990, with the subsequent amendments and completions ("Companies Law") 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 mechanisms 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 overall 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 set up 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, management 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.

In 2019, the shareholding structure as per the BCR shareholders' register as of 31.12.2019 was the following:

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

- **Romanian legal entities** (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; 5. SIF Banat Crişana 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;

• **Private 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 offer its shareholders equal rights, each share representing the right to one vote in the General Shareholders Meeting.

The General Shareholders Meetings are convened by the Management Board at least 30 days before the established date. In extraordinary cases, as provided in the Companies Law, the Supervisory Board may convene the General Shareholders Meeting, depending on the Bank’s interests.

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 ensures the protection of the shareholders’ rights, enabling them to exercise the latter, by clear and transparent provisions at the Bank level that protect the shareholders’ rights. BCR observes the rights of its shareholders and ensures that their rights are exercised effectively through a successful communication with the shareholders.

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 provided by the proper legislation in force;
- the right to attend and vote during the GSM and, in this regard, the right to be informed with respect to the voting rules and procedures, applicable to this type of meetings; the right to receive dividends pursuant to the provisions of the relevant legislation and the Charter;
- the right 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 2019, five GSM meetings took place, out of which 3 ordinary meetings and 2 extraordinary meetings, which had on their agendas mainly the following topics:

- The budget for 2019 - BCR and BCR Group;
- Appointment of an independent financial auditor and the minimum contract duration;
- Approval regarding the issuance of additional Tier 1 instruments by BCR in compliance with the legal provisions and the capital requirements set out according to the Romanian legal framework in force implementing the CRD IV provisions.
- Amendment of BCR Charter;
- The financial statements for the financial year concluded on 31.12.2018;
- Distribution of profit for the financial year concluded on 31.12.2018;
- Liability discharge of the members of the Supervisory Board and of the members of the Management Board for the financial year of 2018;
- Elections and re-elections of BCR SA Supervisory Board's members;
- Remuneration structure for the members of the Supervisory Board of BCR for 2019;

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

BCR is organized on functional lines at the level of the BCR Head Office.

Thus, at the end of 2019, the Bank was organized on 5 functional lines, as follows:

- One line subordinated to the CEO; and

- Four lines covering the following areas: Operations & IT, Retail & Private Banking, Financial, Risk, each made up of several functional entities subordinated to the 4 Executive Vice-presidents.

At territorial level, the retail and corporate activity is 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.

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 the 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.

A. 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 Meeting of the Shareholders 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, Letter a of BCR's Charter, the Supervisory Board members are nominated by shareholders or by other acting Supervisory Board members.

During 2019, were recorded the following changes in the structure of the Supervisory Board, namely:

- New elections in the Supervisory Board:
 - o Mrs. Daniela Camelia Nemoianu Istocescu, who assumed the responsibilities related to the position of Supervisory Board member on 10.07.2019, after receiving the NBR approval.
 - o Mrs. Alexandra Habeler – Drabek, following Mr. Andreas Treichl's resignation, received by BCR on 19.06.2019, in force since 01.01.2020. Mrs. Alexandra Habeler – Drabek assumed the responsibilities related to the position of Supervisory Board member on 19.02.2020, after receiving the NBR approval.
 - o Mr. Bernhard Spalt, following Mr. Gernot Mittendorfer's resignation, received by BCR on 06.06.2019, in force since 01.07.2019. Mr. Bernhard Spalt assumed the responsibilities related to the position of Supervisory Board member on 25.02.2020, after receiving the NBR approval.
- The demise of Mr. Brian O'Neill in December 2019.

Thus, the Supervisory Board structure, at the end of 2019 is as follows:

SB Member	Position	Start date of the mandate	End date of the mandate
Manfred Wimmer	President	23.04.2016	24.04.2022
Andreas Treichl	Vice-President	23.04.2016	31.12.2019
Gernot Mittendorfer	Member	23.04.2016	01.07.2019
Hildegard Gacek	Member	23.04.2016	24.04.2022
Brian O'Neill	Member	23.04.2016	deceased in December 2019
Elisabeth Krainer Senger – Weiss	Member	25.04.2018	24.04.2022
Daniela Nemoianu Istocescu	Member	10.07.2019	24.04.2022

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 related to BCR management body.**

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	✓	✓	✓	✓	✓
Brian O'Neill	✓	✓	✓	✓	✓
Elisabeth Krainer Senger – Weiss	✓	✓	✓	✓	✓
Daniela Nemoianu Istocescu	✓	✓	✓	✓	✓

Internal structure – Committees subordinated to the Supervisory Board 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 2019, 42 meetings of the Supervisory Board took place, organized and held in compliance with the provisions of the Charter and the Supervisory

Board Internal Rules, out of which 5 were regular meetings, while the other meetings were held by other means of distance communication.

Furthermore, BCR follows the model of the Three Defense Lines through which the Bank adopts risk and control processes efficiency and effectiveness.

In order to fulfil all these requirements, the Supervisory Board established the following advisory 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 internal and external accountants and 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, 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.

- **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.

- **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
Manfred Wimmer	Replacement member	Replacement member	Vice-President	Replacement member
Andreas Treichl		Deputy chair		Deputy chair
Daniela Nemoianu Istocescu	Deputy chair			
Hildegard Gacek	Member		Chair	Member
Brian O'Neill *)–	Chair	Chair		
Elisabeth Krainer Senger – Weiss		Member	Member	Chair

*) deceased in December 2019

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 functions, 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 to 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 Shareholders' General Meeting;
- The Supervisory Board represents the Bank in its relations with the Management Board;

- The Supervisory Board is not involved in the daily 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 Charter.

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 provisions in force and the Bank's 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. As of December 31st, 2019, the Management Board had 5 members.

Thus, during 2019, the following changes took place in the structure of the Management Board, namely:

- ❖ Appointment of Mrs. Ilinka Kajgana, in the meeting of the Supervisory Board of 14.06.2019, as Executive Vice-President of BCR, coordinator of the Risk functional line – endorsed by NBR on 17.12.2019 – the start of her activity was on 01.01.2020 – while her term in office shall end on 31.12.2023.

The Management Board membership on December 31st, 2019:

MB Member	Position	Responsibility area
Sergiu Manea	President – CEO	Executive President
Elke Meier	Executive Vice-President - CFO	Financial
Dana Dima	Executive Vice-President	Retail & Private Banking
Michael Beitz	Executive Vice-President - CRO	Risk
Ryszard Druzynski	Executive Vice-President - COO	Operations & IT

Professional experience

MB Member	Professional experience					
	Financial markets	Management framework	Strategic planning	Risk Management	Interpretation of credit institution financial information	Internal control process
Sergiu Manea	✓	✓	✓	✓	✓	✓
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 2019, the Management Board had 103 meetings, namely 48 regular meetings and 55 ordinary meetings held through other means of distance communication.

Starting with July 26, 2019, the new Internal rules of the Management Board subordinated committees were implemented, with the following main changes:

- **The Costs and Investments Committee (CIC)** was dissolved, and the authority limits were reallocated to the members of the Management Board according to their coordination area, together with the reallocation of the current limits applicable to the OPEX and CAPEX cost categories;
- The structure of the **Risk Committee of the Management Board (RCMB)** was changed, the committee comprising 3 members of the Management Board: CRO (President), CEO (Vice-President) and COO. Risk responsibilities have been revised, and RCMB mainly remained with operational risk attributions. The rest of the risk authority limits were grouped on the related domains within the ALCO or the Credit Committee (CC);
- A new subcommittee of the RCMB, called Risk Steering Subcommittee (RSS), was created, with a role in analyzing and reviewing IRB and other strategic risks or models and results, comprising 5 executive directors: Strategic Risk Management B-1 in the position of President, Controlling - in the position of Vice-President, Accounting, Balance sheet administration and Legal;

Thus, on 31.12.2019, the structure of the Management Board subordinated committees was the following:

Subcommittee	Role and scope
Assets and Liabilities Committee (ALCO)	ALCO reviews, briefs and assists the Management Board in fulfilling the responsibilities assigned to it in the field of asset and liability structure management, financing strategy, interest policy, liquidity policy, pricing for saving/credit/card and service products, introduction/suspension of services and products and is an analysis and decision body that issues decisions and recommendations according to the established authority limits. During the year, 17 meetings were held, of which 12 regular meetings and 5 per rollam.
Credit Committee (CC)	Revises, briefs and assists the Management Board in fulfilling the responsibilities assigned to it in the field of granting credits, the modification of conditions for the granting, using and/or guaranteeing some previously granted credits, concluding agreements, extending the term of validity of agreements, issuing letters of guarantee, factoring operations and other activities for retail, corporate and workout clients. During the year, 67 meetings were held, of which 50 regular meetings and 17 per rollam.
Risk Committee of the Management Board (RCMB)	It is subordinated to the Management Board, it has responsibilities for analysing, pre-approving and approving aspects regarding risk management. During the year, 12 meetings were held, of which 11 regular meetings and 1 per rollam.

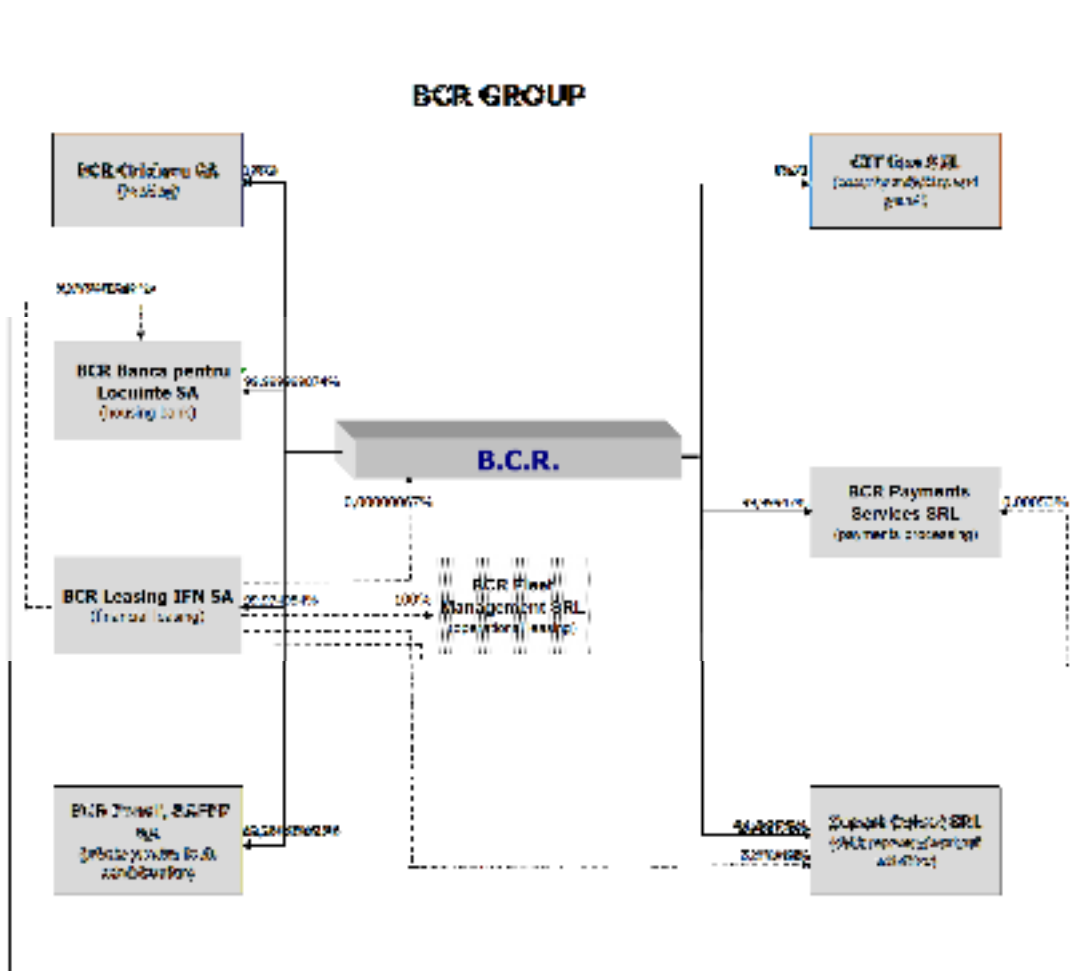
IV. BCR Group structure and governance framework

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 governance of subsidiaries is decentralized using function coordinators in BCR with assigned responsibilities and with a centralized reporting system to the BCR management body regarding the main activities and risks assumed. The supervision of the BCR Group governance structure is carried out by the corporate governance function exercised in BCR by the Legal Division.

A. BCR Group structure – overview

On December 31, 2019, 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 a governance system such as:

- 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.

BCR Banca pentru Locuințe SA

Subsidiary directly held by BCR, registered as a joint stock company, in 2008, operating under the regulations of the National Bank of Romania regarding credit institutions, as well as under 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.

The structure of the Supervisory Board on December 31, 2019:

Name	Position
Elke Meier	Chairman
Alexandru Berea	Deputy Chairman
Pavel Vanek	Member

Structure of the Management Board on December 31, 2019:

Name	Position
Vacant position	CEO
Marilena Popovici	Member
Arion Negrila	Member

BCR Chişinău 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 Chişinău, three branches and 1 agency.

The structure of the Supervisory Board on December 31, 2019:

Name	Position
Sergiu Cristian Manea	Chairman
Vacant position	Member
Ganna Lishchenko	Member

The structure of the Management Board on December 31, 2019:

Name	Position
Juan Luis Martin Ortigosa	CEO
Natalia Codreanu	Member
Iurie Rusu	Member

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).

The structure of the Supervisory Board on December 31, 2019:

Name	Position
Dana Luciana Dima	Chairman
Elke Meier	Member
Frank Michael Beitz	Member

The structure of the Directorate on December 31, 2019:

Name	Position
Radu Craciun	CEO
Dragos Gheorghe	Member
Adela Maria Cercel	Member

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 light and heavy commercial motor vehicles, and 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.

The structure of the Supervisory Board on December 31, 2019:

Name	Position
Frank Michael Beitz	Chairman
Bogdan Ionut Speteanu	Member
Vlad Alin Hutuleac	Member

The structure of the Directorate on December 31, 2019:

Name	Position
Vlad Bogdan Vitcu	CEO
Vladimir Marius Mihai Catanescu	Member
Adrian Stefan Melinte	Member

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.

The structure of the Board of Directors on December 31, 2019:

Name	Position
Ryszard Ferdynand Druzynski	Chairman
Elke Meier	Member
Vacant position	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.

The structure of the Board of Directors on December 31, 2019:

Name	Position
Ryszard Ferdynand Druzynski	Chairman
Lelia Chitu	Member
Dana Luciana Dima	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.

The structure of the Board of Directors on December 31, 2019:

Nume	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.

The structure of the Board of Directors on December 31, 2019:

Name	Position
Bogdan Ionut Speteanu	Chairman
Vlad Bogdan Vitcu	Member
Frank Michael Beitz	Member

A. 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;
- ✓ decides 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 Companies 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.

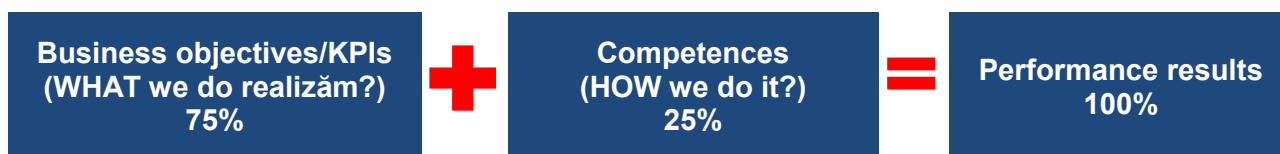
V. Performance management and remuneration strategy

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 are 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 is 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 regularly assess 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

BCR aims to be an active member in the communities where it operates, understands their needs and acts for the development of the local communities where it operates.

Thus, BCR's strategic directions regarding community outreach are as follows:

- Financial education is one of the strategic directions of community outreach generated by a truly considerable need: Romania has one of the lowest levels of financial education in the European Union, according to the European Commission studies. Through our free program of financial education, [Scoala de Bani](#) (The Money School), we aim to help Romanians better understand the factors that influence their financial decisions and develop a responsible financial behaviour;
- Education for the development of practical skills, having strategic partnerships with the largest universities in the country, with the main aim of creating projects that help develop the students' practical skills for easier integration into the labour market;
- Civic leadership and projects for youth, through the development of projects that support hundreds of NGOs annually ([Bursa Binelui](#)), encouraging its employees to be responsible citizens, integrating the Bank into the community design (Brutăria de Fapte Bune), as well as motivating young people to become more involved in the lives of the communities they are part of;
- Youth projects and the support of local communities, we encourage young people to become more involved in the communities they are part of. One of the projects through which we inspire young people to do more for their local communities, and provide them with tools to inspire others, in turn, is the Youth Capital of Romania. The Youth Capital of Romania is the most ambitious national program for youth, as it emphasizes the development of youth ecosystems in the Romanian areas, in general, and the development of urban youth ecosystems, in particular. As part of the program, the local authorities collaborate with non-governmental organizations. The Youth Capital of Romania program was launched in 2016, and the cities that have been Youth Capitals so far are Timișoara, Bacău, Baia-Mare. Currently, the title is owned by the City of Iași.

We aim, through all of our actions, to be an integral part of the society, to have a team of responsible citizens, with solid principles and we seek to mediate and support the development of value in the communities we are members of.

BCR strives to be a model, a source of inspiration and a catalyst for all of its stakeholders, from this point of view.

In addition to initiating or supporting meaningful social responsibility programs, our goal is for every BCR employee to become an ambassador of community participation.

In addition, 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.

In the first quarter of 2020, respectively until the date of completion of this report, in the context of the crisis generated by the COVID-19 pandemic, Banca Comercială Română decided to apply a comprehensive protection and support program for the companies and individuals affected by the COVID-19 epidemic. The measures aim to back the economy and jobs, as well as support for credit adjustment, along with a series of solutions to ensure fast and efficient remote banking assistance, as follows:

- BCR supports its clients and encourages those who have urgent reasons for restructuring the loans, especially cases of job losses, to address the bank responsibly.
- BCR will advise all of its affected clients during this period with customized solutions, so as to avoid over-indebtedness or other negative consequences in the Credit Bureau. The Bank's solutions, considered with responsibility and prudentially, will be adapted to the situation of each client, including for clients who, for objective reasons, could not contact the bank in time.
- Banca Comercială Română mobilized RON 2.5 million for the fight against the COVID-19 pandemic. The money was directed to local hospitals, communities and NGOs involved in acquiring and collecting sanitary materials, supporting vulnerable people - especially the elderly and helpless - in the education on prevention and protection of people, but also for the efforts to ensure distance learning.
- Supporting the emergency fund for the hospitals opened by the Save the Children organization.
- In addition, as the main role of a bank is to ensure the support of ideas that help the development of society, we decided to extend the support provided, through the BCR-InnovX Accelerator, to companies and entrepreneurs who propose technology innovative solutions for the health and economy challenges generated by COVID-19.