

Corporate governance principles in BCR and BCR Group for 2020

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

According to the corporate governance principles, in compliance with the provisions of the regulatory framework issued by the National Bank of Romania (NBR), the management structure as a whole and the supervisory function in particular have the responsibility to establish, assess and periodically and systemically review the way the Bank's activity is organized, the collective and individual tasks and responsibilities, the way of monitoring the implementation and application of the entire set of regulations, flows and control keys from the perspective of the undertaken mission and vision, of target achievement as per the business plans, and of effective risk management.

The corporate governance principles are applicable at the BCR Group level, while the BCR management body ensures that at the level of BCR Group subsidiaries operates a proper corporate governance framework, with a view to meeting all applicable governance requirements.

Within this framework, the undertaken principles take into account the fact that BCR is part of Erste Group – one of the largest financial services providers in Central and Eastern Europe - and comply with the corporate governance principles at the Group level.

Corporate governance principles at BCR level

- 1. BCR management body ensures at the level of the BCR Group, as parent credit institution, an adequate framework of corporate governance, in accordance with the structure, business activity and risks of the Group and its comprising entities**
- 2. Guarantee, support and facilitate the exercise of shareholders' rights**
- 3. Identify and manage risks**
- 4. Ensure flexible structures**
- 5. Publish information in a timely and balanced manner – ensure accuracy and integrity in the financial reporting**

1. BCR management body ensures at the level of BCR Group, as parent credit institution, an adequate framework of corporate governance, in accordance with the structure, business activity and risks of the Group and its comprising entities

- Establishing a governance structure that contributes to the effective supervision of the activity of subsidiaries and which takes into account the nature, scale and complexity of the different risks to which the Group and its subsidiaries are exposed;
- Implementing an internal governance framework at Group level for its subsidiaries, which ensures the commitment to comply with all applicable governance requirements;
- Providing sufficient resources at the level of each subsidiary in order to meet both Group standards and local governance standards;
- Setting up appropriate means to monitor that each subsidiary complies with applicable internal governance requirements;
- Ensuring the clarity and transparency of all reporting lines in the Group.

2. Guarantee, support and facilitate the exercise of shareholders' rights, by:

- Securing, through clear and transparent provisions within the Bank's Charter, the shareholders' right to participate, through the General Shareholders' Meeting, at the decision-making process for the most significant issues, including fundamental corporate changes, nomination and election of the Supervisory Board members, annual financial statements and budget etc;
- Providing on a timely and regular basis relevant information and materials regarding the company, for a proper exercise of the voting rights within the General Shareholders' Meetings.

3. Identify and manage risks, by:

- Setting up a system of risk supervision and of internal control;
- Providing an extensive report on the conclusions of the control activities carried out at BCR level by the national supervision and control bodies, as well as on the measures taken by the executive management to implement the recommendations/remedy the deficiencies;
- Securing a dialogue/regular meetings of the Supervisory Board or of its committees with the external auditor; analyzing the latter's recommendations following the audit and the measures taken by the executive management for their implementation;
- Monitoring the regular review by the Management Board of the authority limit system, so as to ensure flexibility in relation to the external and internal clients, and of the internal control system at BCR level, and to reflect the potential changes of internal and external factors;
- Regularly reviewing the strategy and policy on risk management, at consolidated level.

4. Ensure flexible structures, by:

- Setting up working committees of the Supervisory Board, with an advisory role, in accordance with the legal provisions in force or the best practices in the field. Drafting and periodically reviewing the provisions of the related Internal Rules;
- Analyzing and periodically reviewing the Bank's organizational structure and its Operational Book with a view to adjusting it to the business requirements, clearly defining responsibilities and reaching a better control level.

5. Publish information in a timely and balanced manner – provide accuracy and integrity in the financial reporting:

- Setting up and running a comprehensive and coherent information flow between the management function (Management Board) and the supervision function (Supervisory Board and its committees);
- Providing on a regular basis and in due time relevant information and materials pertaining to the company, so that voting rights be properly exerted during the General Shareholders' Meetings, in compliance with the reporting requirements stipulated by the applicable regulations;
- Publishing interim information, presenting the differences occurred in relation to the annually published information, and explaining the way in which the financial position and the results obtained during the interim period interact with the annual ones;
- Nominating or revoking the financial auditor, based on the decision of the General Shareholders' Meeting, as well as the minimum duration of the contract concluded with them, on the basis of the proposals made by the Management Board, the recommendations of the Audit Committee and the decision of the Supervisory Board.