

**REMUNERATION POLICY FOR EXECUTIVE OFFICERS AND NON-EXECUTIVE DIRECTORS****SUMMARY**

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## 1. Introduction

This policy governing remuneration of Executive Officers and Non-Executive Directors:

- was defined by the Board of Directors following the recommendations of the Remuneration Committee;
- is subject to shareholders' approval in the Ordinary General Shareholders' Meeting to be held on April 22, 2021;
- is subject to the approval of the annual Ordinary General Shareholders' Meeting at each substantial modification and at least once every 4 years.

It includes governance and remuneration principles as well as key elements of the remuneration package and main contract terms and termination provisions for:

1. the Executive Officers, members of the Management Committee;
2. the Non-Executive Directors, members of the Board of Directors.

## 2. Governance of Remuneration

The governance framework and decision-making process are designed to ensure that their remuneration is in line with both the shareholders' interests and the Bank's strategy.

The remuneration policy is aligned to BRD's business strategy as well as to its long-term sustainability and interests.

## 3. Roles related to the Remuneration Policy

### A. Board of Directors

The Board of Directors is responsible for adopting and maintaining the Remuneration Policy and monitoring its implementation to ensure that it is fully operational.

The Board of Directors submits the Remuneration Policy for the approval of the Ordinary General Shareholders' Meeting.

### B. Remuneration Committee

The Remuneration Committee is responsible for the preparation of decisions to be taken by the Board of Directors, in particular by conducting an analysis regarding the Bank's Remuneration Policy, which it presents to the Board of Directors for approval.

The Remuneration Committee also:

- Makes proposals regarding the individual remuneration of the Non-Executive members of the Board of Directors as well as the individual additional remuneration of the administrators in charge of specific positions within the Board and respectively the individual remuneration of the Executive Officers.
- It also ensures the adequacy of the information provided to shareholders on remuneration policies in line with comparative market practices and correlated to Executive Officers' performance.
- Supervises the application of the personnel remuneration principles and informs the Board of Directors about the results of the supervision.

The information related to the Executive Officers and Directors' remuneration is regularly audited by either the internal audit division or external auditors.

### **C. Risk Management Committee**

The Risk Management Committee has specific attributions (without prejudice to the tasks of the Remuneration Committee) in order to evaluate whether the incentives offered by the Remuneration Policy take into account risks, capital, liquidity, as well as the probability and timing of profits.

### **D. Nomination Committee**

The Nomination Committee evaluates periodically, but at least once a year, the knowledge, skills and experience of each member of the management body and reports to the management body accordingly.

### **E. Control functions and Human Resources**

Control functions and Human Resources Department are involved in the development of BRD's Remuneration Policy.

The the above attributions are mainly related to the Bank Remuneration Policy. Other specific responsibilities of each committee/ internal structure are detailed within the internal normative framework of BRD.

## **4. Remuneration Policy for the Executive Officers**

### **Remuneration principles**

The remuneration policy for the Executive Officers must:

- Provide a strong alignment between the achievement of long-term strategic objectives, values and long-term interests of the Bank and the delivery of value to shareholders.
- Align the interest of the Bank and of its clients, employees and shareholders, prevent conflicts-of-interest situations and ensure compliance with the applicable legal framework rules of conduct.
- Promote sound and effective risk management and commitment for Bank's values set out in the Code of Conduct.
- Not encourage risk-taking that exceeds the level of tolerated risk of the Bank.
- Be consistent with Bank's corporate culture and values, risk culture, including with regard to Environmental, Social and Governance (ESG) risk factors.
- Offer market competitive and fair remuneration to attract, cultivate motivation and retain key talents while ensuring no forms of discrimination.
- Be gender neutral and respect the principle of equal pay for male and female Executive Officers for equal work or work of equal value.
- "Pay for performance", to only grant variable remuneration if and when it is justified both by financial performance and nonfinancial aspects related to corporate social responsibility and compliance with the Bank's leadership model.

### **Balanced remuneration taking into account the expectations of the various stakeholders**

The remuneration of Executive Officers is broken down into two components: fixed remuneration (FR) and variable remuneration (VR). It ensures an appropriate balance between these two components, in the general interest of the Bank.

**FR** rewards experience and responsibility taking into account Group and market practices. It accounts for a significant proportion of overall remuneration and serves as the basis for calculating the maximum percentages for annual variable remuneration.

FR is composed of:

- Gross monthly allowance that provides a core reward for the role. Executive Officers are not eligible for 13<sup>th</sup> salary as the rest of Bank staff, in accordance with the Collective Labour Agreement (CLA) provisions.
- Benefits in kind such as: accommodation, children's school fees, travel budget to and from home-country, employer's contribution maintained in the home-country, Plan d'Épargne Entreprise SG (PEE – saving plan that enable SG staff to acquire securities portfolio) , pillar III pensions as defined in the BRD Benefits Policy, medical services, conditions of favor for BRD products and services as for employees, and insurance providing the same cover in terms of health and death/disability benefits as for employees.

Executive Officers do not receive any additional remunerations from other entities of the Group and do not benefit from discretionary pension benefits.

**VR** rewards both financial and nonfinancial performance over the year, which is consistent with the Bank's strategy and aligned to shareholders' interests, as well as the contribution of Executive Officers towards the success of the Bank. VR should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the Executive Officers' activities and responsibilities. Granting VR is not guaranteed.

Executive Officers are not awarded long-term incentives (LTI).

### General principles, Performance measurement and targets for VR

At the beginning of each year, the Board of Directors defines the objectives, as part of Bank's strategy and short and long-term business priorities, that are taken into account to the performance measurement on the basis of which VR will be granted to Executive Officers.

VR is based on quantitative and qualitative criteria, thus combining an evaluation of the Bank's financial performance put in the context of the Group's performance with an assessment of managerial skills, in line with the Bank's strategy and leadership model. Covering both financial and operational aspects, these objectives are directly linked both to the Bank's and Group strategy and reflected in the setting of targets.

**Quantitative criteria** are based either on annual financial performance, i.e. the return on equity (ROE) and the cost-to-income (C/I), or on client impact, i.e. the NPS. Objectives and target levels are set by the Board of Directors in the first quarter of the financial performance year, primarily based on the budget targets for the Bank and the businesses within the scope of supervision of each Executive Officers.

The target amounts for quantitative criteria are precisely established by the Remuneration Committee and approved by the Board of Directors but are not being made public for reasons of confidentiality. The indicators/ targets set do not include any factors considered to be exceptional by the Board of Directors. The Board of Directors notes the degree to which quantitative objectives have been achieved after the close of the financial year, using the published results as a basis. The Board of Directors is empowered to decide, on proposal of the Remuneration Committee, the restatement of non-recurring exceptional and unbudgeted items not resulting from managerial decisions or operational management of activities.

**Qualitative criteria** are based essentially on the achievement of key targets in relation to the Bank's strategy, operational efficiency and risk management as well as the Corporate Social Responsibility (CSR) policy. Most of these targets are collective, reflecting the team spirit within the Executive Committee. The qualitative portion cannot represent more than 50% of the maximum VR (excepting the Deputy CEO of RISK for whom the financial performance cannot be taken into account in order to ensure his/ her independency).

The criteria specifying how the achievement of each qualitative objective will be measured have been established by the Remuneration Committee and approved by the Board of Directors. These criteria are not made public for reasons of confidentiality.

Proper setting of objectives and targets by the Board of Directors, at the proposal of the Remuneration Committee, contributes to a fair performance measurement, including individual and collective.

The performance achievement rate can be between 0 and 120% (overperformance being capped at 120%). All targets are weighted and overall achievement rate corresponds to the average of the scores for each target.

The Board of Directors reviews the quantitative and qualitative performance criteria each year. Bank's performance is assessed on an annual and multi-annual basis and is compared to the performance of the peers and banking market in general.

## Cap

VR is capped at 100% of annual FR.

## Deferring, vesting and payment of VR

In accordance with European and local legislation in force and the Bank's risk appetite targets whilst promoting alignment with shareholders' interests, vesting of at least 60% of the VR is deferred over five years, on a pro rata basis. Deferring has as a purpose avoiding the encouragement of the imprudent assuming of risks or maximizing the profits on a short term. This concerns both cash payments and share equivalents (BRDTP) awarded subject to the achievement of long-term performance conditions in terms of Bank profitability; the amounts awarded are downward adjusted and subject to application of malus and claw-back arrangements if targets are not met. At least 50% from any VR must be composed of share equivalents, which are under an adequate deferral and retention policy, designed to align the incentives with Bank's long-term interests. The Board of Directors reviews the performance target achievement rates ahead of the vesting of deferred variable remuneration. A twelve-month holding period (retention period) applies after each definitive vesting date.

VR, including its deferred portion, is subject to performance condition and vested only if it is sustainable according to the financial situation of the Bank as a whole, and justified on the basis of the performance of the Bank, the business unit and the individual concerned.

Granted VR for which the Executive Officers did not enter his rights may be adjusted depending on BRD net profit indicator. A BRD net loss for the year which is preceding the vesting of deferred variable remuneration voids the vesting itself. The Board of Directors is empowered to decide, on proposal of the Remuneration Committee, the restatement of non-recurring exceptional and unbudgeted items not resulting from managerial decisions or operational management of activities.

Lastly, vesting of the deferred VR is subject to a presence condition of Beneficiary, meaning that the mandate contract is not terminated. The only exceptions to this condition are the following: retirement, expiry of initial duration of mandate contract, death, permanent disability, and termination of mandate contract because of transfer to another entity controlled by Group Société Générale.

The use of personal hedging or insurance strategies to undermine the risk alignment effects embedded in the remuneration arrangements is forbidden over the vesting and retention periods.

VR is subject to application of malus or clawback arrangements signed agreements. Finding of fulfillment of the malus and clawback agreements' criteria is made with the approval of the Board of Directors. VR awarded, either granted but not yet vested or paid, either already vested or paid, is object of the total or partial subsequent withdrawal in case it is proven that evaluation of performance is based on information significantly flawed, including when variable remuneration beneficiary prevented, in any form, the evaluator's access to real and accurate information, required in the annual evaluation process. BRD's payment obligation concerning the VR portion already granted but not yet vested or paid, is cancelled in case of fraud, perpetrated by or with the complicity of the remuneration beneficiary or in case of serious misconduct.

Moreover, if the Board observes, after the departure of an Executive Officer, that a decision taken during his/her term of office has particularly significant consequences for the Bank's results or image, it may decide to apply either the malus or the clawback clause.

The conversion value of the variable portion granted in share equivalents (BRDTP) is calculated based on the trade-weighted average (VWAP) of February of the year in which VR is granted.

The BRD share price to which the share equivalents payment is performed is corresponding to the trade-weighted average (VWAP) of the previous month of payment. For the calculation and payment of VR granted in share equivalents, exchange rates used for conversion of EUR/ RON and RON/ EUR are the average NBR exchange rates of previous month in which either the conversion into BRDTP or the payment is performed.

The payment of portion of VR granted in share equivalents (BRDTP) includes the payment of dividends (gross dividend amount per BRD share multiplied by the number of vested BRDTP), if the shareholders vote the payment of a dividend during the retention period. No dividends are paid during the vesting period.

The payment of VR is performed according to the below deferral and retention scheme:

Allocation	Vesting			Date of payment*
	%	Type	Date	
40% on spot	20%	cash	March N	March N
	20%	BRDTP	March N	March N+1
60% deferred	12%	cash	March N+1	March N+1
	12%	cash	March N+2	March N+2
	12%	BRDTP	March N+3	March N+4
	12%	BRDTP	March N+4	March N+5
	12%	BRDTP	March N+5	March N+6

\*) N is the year of granting the VR

**BRDTP** or share equivalents is a component of the VR expressed in units, whose value is determined for a relevant reference period preceding the vesting date, based on the price of BRD shares, listed on BVB.

Note: The initial deferral and retention bonus scheme also applies after retirement or in case of death or permanent disability of the beneficiary (under condition of presentation of the death certificate by the legal heirs or permanent disability certificate by the beneficiary of the deferred part of the bonus). Clawback clause remains applicable, without exception, even if malus clause does not apply.

### Exceptional variable remuneration

BRD does not generally award exceptional variable remuneration to its Executive Officers.

### Termination payments

Payments related to the early termination of a mandate contract reflect performance achieved over time and do not reward failure or misconduct. As a general rule: early termination of a mandate contract prior to VR vesting is leading to forfeiture of all non-vested installments.

For Executive Officers, their mandate contracts define the conditions under which the termination payments can be granted, as well as their maximum level, which cannot exceed the amount of 6 gross fixed monthly allowances.

The provisions of the CLA related to termination payments do not apply to the Executive Officer.

The agreement conducted between the Executive Officers and the Bank may cease to exist by resigning from office of the Executive Officer, on the basis of a written notification sent to the Bank at least 90 calendar days in advance. The parties may agree on a shorter term.

No termination payment will be due in the event of serious misconduct, failure, dissolution of mandate contract, resignation, and non-renewal of the Executive Officer's appointment.

### **Sums payable upon leaving BRD. Non-compete clause**

In accordance with the contracts signed by the Executive Officers with BRD, after the termination of their mandates until the expiry of the duration for which the non-compete clause is agreed, which is generally up to six-month period, they may continue to receive their gross fixed monthly allowance.

In case of failure to comply with this non-compete clause by the Executive Officer, he/ she shall be liable for the prejudice caused and shall owe to the Bank damages until the full compensation of the damage suffered by it.

### **Derogation to termination payments and non-compete clause**

In situations of litigation risk and/ or reputational risk, exceeding this threshold of 6 gross fixed monthly allowances requires the approval of the Board of Directors, with prior validation of the control functions and the Legal Department and at the recommendation of the Remuneration Committee.

### **Position of Executive Officer**

Executive Officers are generally appointed on their position for a term of four years and their mandate contract may be terminated at any time, without any motivation, based on Board of Directors' approval.

If any of the following causes occur before the end date of the mandate: occurrence of an incompatibility cause; incapacity, death, restriction by court of legal capacity, withdrawal of the prior authorization of the Executive Officer by NBR/ any supervisory authority, bankruptcy or termination of the Bank's existence, than the mandate will cease with no due payment.

### **Appointment of a new Executive Officer**

The remuneration components and structure described in this remuneration policy will also apply to any new Executive Officer appointed, according to their responsibilities and professional experience.

The Board of Directors is therefore responsible for setting the new Executive Officer's fixed remuneration by taking into account both internal and external benchmarks, the calibre of the candidate and the level of the existing remuneration.

Any new Executive Officer selected from outside the Bank may be awarded a hiring bonus (sign-on bonus), designed to act as compensation, if appropriate, for any remuneration forfeited upon leaving his/ her previous employer. For hiring bonus, all requirements for VR apply (performance condition of positive BRD net profit, deferral, retention, pay out in BRDTP, and clawback arrangements).

## **5. Remuneration Policy of Non-Executive Directors**

### **Remuneration principles**

In relation to the remuneration policy applicable to Non – Executive Board Members, main remuneration principles are following:

- To offer competitive remuneration commensurate with the required time commitment and responsibilities.
- The amount of remuneration shall be calculated so that it remunerates dedication, but at the same time without constituting an impediment to their independence.

## How the Non – Executive Board Members are remunerated

The remuneration of non-executive members of the Board of Directors is approved by the Ordinary General Meeting of Shareholders and consists of gross fixed monthly fee. Furthermore, an additional remuneration could be paid to independent non-executive members of the Board of Directors.

If new members are appointed to the Board of Directors as non-executive Directors while this Remuneration Policy is in effect, the same remuneration as outlined above will apply to them.

To guarantee total independence in fulfilling their mandates, the non-executive members of the Board of Directors do not benefit from variable remuneration. Non-Executive Directors do not participate in remuneration schemes where payout is linked to performance.

## Position of Board Members

The term of office of the Non-Executive Directors is 4 years; they are eligible for re-election.

## 6. Other relevant provisions

### The management of conflict of interests

The Bank has a clear normative framework in place to prevent and manage conflicts of interests, which specifies the principles, and mechanisms that have been implemented. It covers two categories of potential conflicts of interest, those that may arise between the Bank and the Executive Officers and Directors, particularly in relation to activities involving their personal interest and/ or their professional obligations. It sets out the rules for identifying, managing and monitoring of potential conflicts of interests that should be clearly defined and recorded using a mapping tool and also listed in a conflicts of interest register.

The main obligations fulfilled by the executive officers and the Directors, imposed at the Bank level in order to prevent and avoid conflicts of interests, are:

- the obligation to act only in the interest of the Bank and to make decisions without allowing themselves to be influenced by any own interests that could occur in their activity; they must act to an extent that does not affect their ability to perform their tasks objectively and with independence of mind;
- the obligation to inform the Board of Directors and internal auditors regarding any operation in which they may have direct or indirect interests, which are contrary to the interests of the Bank, and not to take part in any deliberation regarding such operation;
- the obligation to not take part in any deliberation when, in meetings of the management body, decisions are taken about third parties with whom they are in a conflict of interest by nature of their position;
- the obligation to maintain the confidentiality of the information and manage the privileged information to which they have access during or after the activity, in accordance with the legal provisions and the internal normative framework of the Bank on the prevention of market abuse, respecting the deontology rules established at the level of the Bank;
- the Executive Officers of the Bank may not, without the authorization of the Board of Directors, be officers, directors, members of the board of directors or of the supervisory board, auditors or, as the case may be, internal or associated auditors with unlimited liability, in other competing company nor may they carry out the same or any other activity, on their own account or on behalf of another person, under penalty of dismissal and liability for any damage.

The Bank is also compliant with the requirements established by law regarding incompatibility and provisions regarding independent members of the management body and committees established in the support of the Board of Directors and has in place detailed mechanisms and policies regarding the conflicts of interests.