

# Annual Board of Directors' Report

2021

Prepared in accordance with the National Bank of Romania Order no. 27/2010, the Financial Supervisory Authority Regulation no.5/2018, the National Bank of Romania Regulation no. 5/2013

Contains both Annual Board of Directors' Report and Consolidated Annual Board of Directors' Report

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*Note: Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*

## 1. THE COMPANY AND ITS SHAREHOLDERS

### BRD – GROUPE SOCIÉTÉ GÉNÉRALE PROFILE

BRD - Groupe Société Générale ("BRD" or "the Bank") was set up on December 1<sup>st</sup>, 1990 as an independent bank with the legal status of a joint-stock company and with the share capital mainly held by the Romanian State, by taking over the assets and liabilities of Banca de Investitii (the Investment Bank).

In March 1999, Société Générale ("SG") bought a stake representing 51% of the share capital, increasing its holding to 58.32% in 2004, through the acquisition of the residual stake from the Romanian State. As at December 31, 2021, SG was holding 60.17% of the share capital.

Starting 2001, BRD-Groupe Société Générale operates as an open joint-stock company, admitted to trading on a regulated market, according to the companies' legislation, banking legislation, capital market regulations, provisions of the Articles of Incorporation and other internal regulations.

BRD identification data are the following:

- **Head Office:** 1-7 Blvd. Ion Mihalache, sect. 1, Bucharest
- **Phone/Fax:** 021.3016100 / 021.3016800
- **Sole registration number with the Trade Registry:** 361579/10.12.1992
- **Fiscal Code:** RO 361579/10.12.1992
- **Order number with the Trade Registry:** J40-608-1991
- **Number and date of registration in the Credit Institutions Register:** RB - PJR - 40 - 007/18.02.1999
- **Share capital subscribed and paid:** 696,901,518 RON
- **Regulated market on which the issued securities are traded:** Bucharest Stock Exchange Premium Tier
- **The main characteristics of securities issued by the company:** ordinary shares with a nominal value of 1 RON

### EXTERNAL RATING

As at December 31, 2021, the Bank had the following ratings:

<b>Fitch</b> (last rating update: December-2021*)	<b>Rating</b>
Foreign-Currency Short-Term Issuer Default Rating	F2
Foreign-Currency Long-Term Issuer Default Rating	BBB+

<b>Moody's</b> (last rating update: October-2021**)	<b>Rating</b>
Domestic Currency Short-Term Deposit	Prime-2
Domestic Currency Long-Term Deposit	Baa1
Foreign Currency Short-Term Deposit	Prime-2
Foreign Currency Long-Term Deposit	Baa1

\* Fitch affirmed LT IDR at 'BBB+' with Negative Outlook on December 22<sup>nd</sup>, 2021

\*\* Moody's affirmed Bank's LT and ST foreign currency deposit rating to Baa1/Prime-2 in October 2021 and changed the outlook to stable from negative

**BRD GROUP („GROUP")** consolidates the following entities:

- BRD - Groupe Société Générale SA;
- BRD Sogelease IFN SA;
- BRD Finance IFN SA;
- BRD Asset Management SAI SA.

## SOCIÉTÉ GÉNÉRALE PROFILE

Société Générale was set up in 1864 as a banking company, registered in France. Its registered office is located on 29 Boulevard Haussmann, 75009, Paris, France, and its shares are listed on the Paris Stock Exchange.

Société Générale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of the world.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Société Générale employs 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world. Société Générale's teams offer advice and services to individual, corporate and institutional customers in three core businesses:

- *Retail Banking in France* which encompasses the Société Générale, Crédit du Nord and Boursorama brands, each offering a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- *International Retail Banking, Insurance and Financial Services* with a presence in emerging economies and leading specialised businesses;
- *Global Banking and Investors Solutions*, which offers recognised expertise, key international locations and integrated solutions.

The latest credit ratings of Société Générale are available at <https://investors.societegenerale.com/en/financial-and-non-financial-information/ratings/credit-ratings>.

## BRD POSITION WITHIN SOCIÉTÉ GÉNÉRALE

SG has been present in Romania since 1980, being the only significant bank from Western Europe that was present in Romania during the communist era.

In 1999, it takes part in the process of privatization of Banca Romana pentru Dezvoltare and acquires 51% of the bank's share capital.

Starting with this period, BRD lined up its operational procedures and business practices to those of the parent company.

BRD is part of the international network of Société Générale, managed by the International Retail Banking, Insurance and Financial Services division (IBFS) that aims to offer a broad range of products and services to individuals, professionals and corporates. International Retail Banking operations, Insurance and Financial Services are building their networks in Africa, Russia and Central Europe and Eastern Europe. The specialized equipment finance and vehicle leasing and fleet management businesses are leaders in Europe and worldwide in their markets.

## KEY FIGURES

		2020	2021	Change
<b>The Group</b>				
<b>Financial results</b>	Net banking income (RONm)	3,088	3,118	+1.0%
	Operating expenses (RONm)	(1,588)	(1,618)	+1.9%
	Cost of risk (RONm)	(353)	146	n.a.
	Net profit (RONm)	963	1,319	+37.0%
	Cost / income ratio	51.4%	51.9%	+0.5 pt
	ROE	10.7%	13.4%	+2.7 pt
<b>RON bn</b>		<b>Dec-20</b>	<b>Dec-21</b>	<b>Change</b>
<b>Loans and deposits</b>	Total net loans (incl. leasing)	30.7	34.1	+11.2%
	Total deposits	50.0	52.7	+5.5%

		2020	2021	Change
<b>The Bank</b>				
<b>Financial results</b>	Net banking income (RONm)	2,927	2,950	+0.8%
	Operating expenses (RONm)	(1,481)	(1,515)	+2.2%
	Cost of risk (RONm)	(313)	159	n.a.
	Net profit (RONm)	952	1,279	+34.4%
	Cost / income ratio	50.6%	51.3%	+0.7 pt
	ROE	11.0%	13.5%	+2.5 pt
<b>RON bn</b>		<b>Dec-20</b>	<b>Dec-21</b>	<b>Change</b>
<b>Loans and deposits</b>	Total net loans	28.9	32.2	+11.5%
	Total deposits	50.2	52.9	+5.5%

		Dec-20	Dec-21	Change
<b>RON m</b>				
<b>Capital adequacy</b>	Own funds (RONm)	8,808	6,757	-23.3%
	RWA (RON bn)	26,102	29,596	+13.4%
	CAR*	33.7%	22.8%	-10.9 pt
<b>Franchise</b>	No of branches	584	499	(85)

(\*) own funds at 2021 end exclude 2021 year result and are after the exceptional distribution from the retained profits of 2019 and 2020

## BRD SHARE

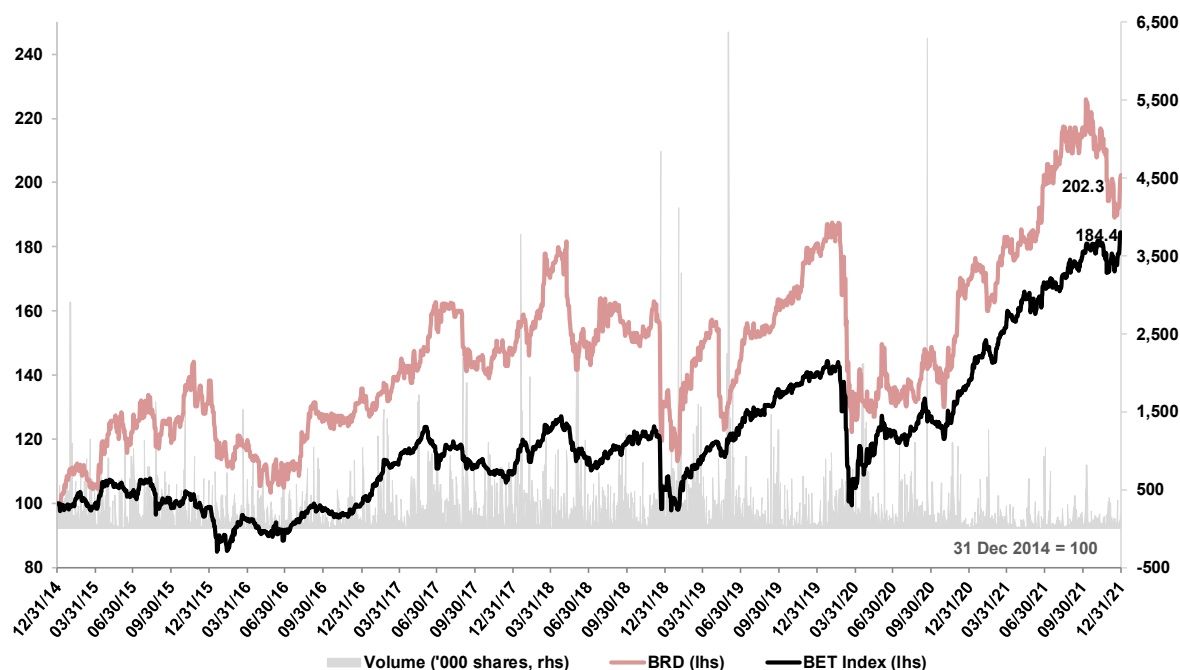
Starting with January 15<sup>th</sup>, 2001, the Bank's shares are listed in the Premium category of the Bucharest Stock Exchange. The shares are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indexes. The Bank's shares are ordinary, nominative, dematerialized and indivisible. According to the Articles of Incorporation, article 17, letter k, the shares of the Bank are traded freely on those capital markets set by General Shareholders Meeting („AGA”), while complying with the legislation on the trade of shares issued by bank institutions.

The closing price for BRD share as at December 31, 2021, was of RON 17.70 /share (RON 14.86 /share at December 31, 2020). On the same date, the market capitalization was RON 12,335.16 million (RON 10,355.96 million at December 31, 2020).

During January – December 2021, neither the Bank, nor its subsidiaries bought back own shares.

As of December 31, 2021 neither the Bank, nor its subsidiaries held own shares.

### Evolution of BRD's share price versus the BET Index and BRD's volume of shares for the period December 31, 2014 – December 31, 2021



Source: Bloomberg

## DIVIDENDS

According to the Romanian legislation and the Articles of Incorporation, dividends are paid from the funds created for this purpose after the approval of the General Shareholders Meeting, within maximum 6 months from the date of the General Shareholders Meeting for deciding the dividends. In case the General Shareholders Meeting does not establish the date when dividends are paid, these shall be paid in 30 days from the date when the decision of the General Shareholders Meeting to establish dividends has been published in the Official Gazette of Romania, Part IV.

The distribution of dividends is made according to the General Shareholders Meeting' decision, upon the Board of Directors' proposal and depends on the distributable profit and of the future capitalization needs of the Bank.

The change in the volume of approved and distributed dividends for the last three years is presented below:

Dividends	2020	2019	2018
Distributable profit (RON million)	951.6	1,528.5	1,546.0
Total dividends (RON million)	52.2	-	1,142.9
Number of shares (millions)	696.9	696.9	696.9
Dividend per share (RON), gross	0.0749	-	1.64
Distribution rate from distributable profit	5.5%	0%	74%
Amount of dividends effectively paid by 31.12.2021	52.0	-	1,140.1
Percentage of dividends effectively paid by 31.12.2021	99.6%	0.0%	99.8%
Exceptional dividend payment* (RON million)	1,684		
Exceptional dividend payment* (RON/ share)	2.4164		

\* exceptional dividend payment from 2019 and 2020 retained profit, distribution approved by the GSM in Feb 2022

The Board of Directors, which met on January 13<sup>th</sup>, 2022, called BRD OGMS on February 24<sup>th</sup>, 2022 and proposed, as an exceptional payment, the distribution in the form of dividends of the amount of 1,683,992,828 lei from the result carried forward for 2019 and 2020. The proposed gross dividend is 2.4164 lei / share. The proposed distribution rate is 70% of the profit for 2019 and 2020 (including the already distributed amount of 52,197,924 lei).

For the financial year 2021, the Board of Directors has decided to propose to the General Assembly of Shareholders the payment of a dividend of 1.285 RON per share, corresponding to a payout ratio of 70% of the 2021 net profit of the Bank.

The number of shares remained unchanged in the last 3 years.

## DIVIDEND PAYMENT

The dividends are distributed to the shareholders proportionally to their participation in the share capital. The dividend income is subject to withholding tax.

Dividends are paid in accordance with the legal provisions and the General Shareholders Meeting' resolution regarding profit distribution, dividend setting and the dividend payment procedure made available to the shareholders on the Bank's website.

Unclaimed dividends are prescribed within 3 years from the payment start date, according to legal provisions.

## RESEARCH AND DEVELOPMENT ACTIVITIES

There are no development and research activities performed by the Bank or by the Group.

## 2. CORPORATE GOVERNANCE

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The BRD-Groupe Société Générale S.A.'s Corporate Governance Model is aligned with that of the parent company, Société Générale.

The Corporate Governance Model adopted by BRD ensures:

- observance of the shareholders' equal rights and treatment, by protecting and enforcing their prerogatives;
- setting of the role and observance of the rights of the groups of interest, other than the shareholders;
- setting the liability of the Board of Directors towards the credit institution and the shareholders, as well as its responsibility of supervising the activity of the Executive Committee;
- transparency and access to information, by the periodical publication, in a correct and real manner, of the relevant financial and operational information.

Constantly concerned by the principles of corporate governance, BRD - Groupe Société Générale has adopted and applied the provisions of Corporate Governance Code of the Bucharest Stock Exchange (BSE) since 2012. "The statement of compliance with the provisions of Corporate Governance Code of the BSE on December 31, 2021" is presented in Appendix 1.

BRD-Groupe Société Générale has its own Corporate Governance Code available to the interested parties on institutional site in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

The corporate governance of BRD-Groupe Société Générale represents an ongoing process in which integrity, responsibility and transparency are fundamental elements in making correct decisions and setting goals that contribute to increasing the confidence of shareholders in the company, economic efficiency, sustainable growth and financial stability.

As at December 31, 2021, Société Générale is the only significant shareholder of the Bank, holding 60.1683% of the share capital.

### THE GENERAL SHAREHOLDERS MEETING

The general shareholders meetings are an occasion for the members of the Board of Directors and the senior management to present to the shareholders the results obtained during their office, based on the responsibilities entrusted to them.

General shareholders meetings are ordinary and extraordinary. The Ordinary General Shareholders Meeting is held at least once a year, within no more than 4 months from the end of the financial year, and the Extraordinary General Shareholders Meeting is held whenever necessary.

The Bank makes the best efforts, in compliance with the legal provisions in the field, to facilitate the shareholders' participation at the works of the General Shareholders Meetings, as well as the full exercise of their rights.

The Ordinary General Shareholders Meeting decides on: the annual financial statements (based on the reports presented by the Board of Directors and by the financial auditor), the dividend, election/ revocation of the members of the Board of Directors and of the financial auditor, fixing the minimum duration of the financial audit contract, the remuneration due to the members of the Board of Directors for the current financial year, the budget and the business plan for the following financial year.

The Extraordinary General Shareholders Meeting decides on: change of the company duration, increase, decrease or completion of the share capital by issuance of new shares, change of the headquarters, merger or division, early dissolution of the Bank, issuance of bonds, conversion of a category of bonds into another

category or into shares, approval by the Bank executive officers' of the legal papers regarding the acquisition, alienation, rental, change or transformation into collaterals of the assets in the Bank's patrimony, the value of which exceeds the limits set forth by the applicable laws, designation of the capital markets on which the Bank's shares will be listed and traded, change of the main activity area and main activity.

The decisions on the amendment of the Articles of Incorporation shall be adopted in accordance with the principles of competence laid down in the Articles of Incorporation of the Bank.

In order to ensure equal treatment and full and equitable exercise of the shareholders' rights, the Bank makes available to them all the information related to the General Shareholders Meeting and to the adopted decisions, both by mass communication means and in the special section on its own Internet page ([www.brd.ro](http://www.brd.ro)).

The procedures regarding the works of the General Shareholders Meeting are available to shareholders and other interested parties on the institutional site in section <https://www.brd.ro/en/about-brd/investors-and-shareholders/gsm-brd/procedure-organizing-and-running-gsm>.

Within the General Shareholders Meeting, dialogue between the shareholders and the members of the Board of Directors and/or executive management is encouraged. Each shareholder can ask the directors questions regarding the activity of the Bank.

In 2021, there were two General Shareholders Meetings (one Ordinary General Shareholders Meeting and one Extraordinary General Shareholders Meeting on April 22, 2021).

Considering the measures and recommendations of the Romanian public authorities regarding the prevention and limitation of the spread of COVID - 19, BRD - Groupe Société Générale S.A. encouraged its shareholders to use the electronic means with regard to the General Shareholders Meetings of BRD - Groupe Société Générale on April 22, 2021.

## **ADMINISTRATION AND MANAGEMENT OF THE BANK**

BRD - Groupe Société Générale adopted a unitary management system that is fully consistent with the principles of good corporate governance, transparency of relevant corporate information, protection of shareholders and of other categories of concerned persons (stakeholders), as well as of an efficient operation on the banking market.

The management body, the Board of Directors and the Executive Officers (acting together in the Executive Committee), operate under rules of organization and functioning clearly defined in the "Directive on the organization and functioning of the Management Body".

The Management Body promotes high ethical and professional standards and a strong internal control culture.

The Board of Directors annually assesses the adequacy of the Management Body and its members based on the reports of the Nomination Committee, prepared in accordance with "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body".

The composition, the size and the skills of the Management Body are well suited for the dimension and the complexity of the Bank's activity.

The members of the Management Body meet the eligibility conditions and criteria established in the "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body", required for an efficient administration/management of BRD-Groupe Société Générale:

- Have a good reputation and the necessary expertise to carry out their responsibilities in compliance with the rules of prudent and healthy banking practices;

- Have the professional experience that implies theoretical and practical knowledge adequate to the nature, extent and complexity of the banking business and of the entrusted responsibilities, as well as experience in a management position, acquired in an entity comparable, in terms of size and activity, to the Bank;
- Ensure the conditions of the collective competence of the management body for an efficient and highly performing administration of the Bank's activity;
- Commit sufficient time to their responsibilities as stipulated by the law and the statutory bodies;
- Show commitment and involvement in exercising their responsibilities conferred by the law and by the statutory bodies.

The selection of candidates for positions within the Management Body is made through a rigorous process as defined in "The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body".

The main objective of the selection process is to ensure the suitable candidates for the vacant positions in the Management Body or to ensure the succession of the existing members.

The selection of the candidates excludes any discrimination on gender, age, ethnicity or any other kind of discrimination, stipulated by the law.

Criteria such as reputation, theoretical knowledge and practical professional experience in specific areas of BRD's activities, diversity, ensure a suitable structure of the Management Body.

The Bank recognizes and supports the benefits of the diversity of the members of the Management Body and considers that it is an essential element in protecting and extending the competitive advantage considering that, through diversity, maximum efficiency and performance, increasing innovation and cooperation will be achieved within the Management Body, as well as within the Bank.

In this context, from the moment of the selection process, the aim must be to ensure diversity within the Management Body from the perspective of educational and professional skills, competencies, ensuring that the decision-making process of the Management Body is not dominated by any person or small group of people, in a way that is detrimental to the Bank's interests.

Gender diversity, age and geographical origin are important elements, as they determine different developments in terms of understanding cultural values, specific aspects of the financial-banking sector and legislative framework that has an impact on the activity, so as to consciously facilitate the decisional process regarding the Bank's strategy. The parameters mentioned above must be taken into account in determining the best component of the Management Body.

In order to ensure diversity within the Management Body and to achieve the established target regarding the representation of the under-represented gender, the Nomination Committee considers the following actions:

- incorporating the principles of diversity in the succession resources;
- career guidance / support and planning according to targets;
- encouraging diversity and resource preparation campaigns;
- the annual evaluation and whenever necessary of the Management Body.

The principle of diversity aims to achieve the goal of gender representation, male or female, poorly represented. In this sense, the policy also aims to ensure equal opportunities for selection within the Management Body based on their qualifications and professional experience. In the process of selecting the members of the Management Body, all candidates will be evaluated based on the same criteria, regardless of their gender.

Educational and professional training is another important element in order to achieve the diversity of the Management Body, including from the perspective of collectively understanding all procedural, economic, legal, financial, risk aspects etc.

In this sense, the existence of balance is pursued so that the members of the Management Body have theoretical knowledge and practical experience regarding:

- financial markets;
- regulatory framework and requirements;
- strategic planning and understanding of the Bank's strategy and business plan and their implementation;
- risk management (identification, evaluation, monitoring, control and reduction of the main types of risk, including previous activity / responsibilities in this regard);
- accounting and audit;
- evaluating the effectiveness of the governance framework, establishing effective governance, supervision and control mechanisms;
- interpreting the financial information of a credit institution, identifying the fundamental aspects based on this information and appropriate controls and measures.

The selection of independent directors is subject to compliance with the criteria stipulated by the Companies' Law no. 31/1990, the NBR Regulation no. 5/2013 on prudential requirements for credit institutions and by the Bucharest Stock Exchange Code of Corporate Governance.

The exercise of the responsibilities by members of the Management Body is subject to obtaining NBR approval.

## **BOARD OF DIRECTORS**

Starting with April 18, 2015, the Board of Directors is composed of 9 members, elected by the General Assembly of the Shareholders for a 4-year mandate.

The structure of the Board of Directors ensures a balance between executive and non-executive members, so that no person or limited group of persons can dominate, in general, the decision-making process of the Board of Directors.

As at December 31, 2021, the Board of Directors includes 3 independent members.

The year 2021 brought changes to the composition of the Board of Directors, as follows:

- ✓ Mr. Petre BUNESCU decided to renounce to his mandate as member of the Bank's Board of Directors, starting with March 01, 2021;
- ✓ The Ordinary General Shareholders' Meeting held on April 22, 2021 approved :
  - the renewal of Mr. Benoit Jean Marie OTTENWAELETER mandate as Member of the Board Directors for a 4-year period starting with July 07, 2021;
  - the election of Mrs. Maria ROUSSEVA as Member of the Board of Directors, for a 4-year period. Mrs. Maria ROUSSEVA was appointed as Interim Director through the Board of Directors decision no. 410 on December 10, 2020, following Mr. Jean-Luc André Joseph PARER's renunciation to his mandate as Director.
  - the election of Mrs. Aurore Brigitte Micheline GASPARD as Member of the Board of Directors, for a 4-year period, on the vacant position existent on the Bank's Board of Directors, following Mr. Petre BUNESCU's renunciation to his mandate.
- ✓ NBR approved Mrs. Maria ROUSSEVA and Mrs. Aurore Brigitte Micheline GASPARD nominations as Members of the Board of Directors and their mandates entered in force starting with July 26, 2021.

Also, pursuant the provisions of NBR Regulation no. 5/2013 on prudential requirements for credit institutions and EBA Guidelines, the Board of Directors decided on December 8, 2021 to review the structure of the Committees set up in its support.

## MEMBERS OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2021

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### **Giovanni Luca SOMA**

Chairman of the Board of Directors  
Member of the Remuneration Committee<sup>1</sup>  
Member of the Audit Committee

Date of birth: August 21, 1960  
Year of the appointment in BRD-Groupe Société Générale's Board of Directors: 2014  
Since May 26, 2015, he is Chairman of the Board of Directors of BRD-Groupe Société Générale.  
Latest renewal of the mandate: 2018  
Term of mandate expires in: 2022  
He has no shares in BRD-Groupe Société Générale's capital.

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### **Information on mandates held**

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.

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### **Biography**

He is a graduate of Business Administration, LUISS University in Rome and holds a Master's degree in Business Administration from the Turin School of Business Administration, an Auditor Diploma and an Expert Accounting Diploma from the Rome University.

During his career, he acquired a significant expertise in top management positions outside Société Générale Group (as Head of European Sales and Services for Hyperion Software Group, Managing Director of GE Capital Insurance Milan, Corporate Sales Director Italy of GE Capital Milan, CEO of Dial Italy, a subsidiary of Barclays Group, CEO of Hertz Lease Italy, Chairman of the Italian Automobile Rental Association). Within Société Générale Group, he held the following management positions: Group Regional Director of ALD Automotive Group - France, Chief Executive Officer of ALD International, Head of Société Générale Consumer Finance and Operational Vehicle Leasing and Fleet Management.

Giovanni Luca Soma is currently Head of International Retail Banking for Europe & Group Country Head for Russia, member of the SG Group Management Committee.

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### **Jean – Pierre Georges VIGROUX**

Independent member of the Board of Directors  
Chairman of the Audit Committee  
Member of the Remuneration Committee

Date of birth: 31 July 1953  
Year of the appointment in the BRD-Groupe Société Générale's Board of Directors: 2016  
Latest renewal of the mandate: 2020  
Term of mandate expires in: 2024  
He has no shares in BRD-Groupe Société Générale's capital.

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<sup>1</sup> Until December 8, 2021 (including), Mr. Giovanni Luca SOMA was the Chairman of Remuneration Committee and starting with December 9, 2021 is member of Remuneration Committee.

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### Information on mandates held

According to the information provided through the statement of affiliation, he fulfils the conditions regarding the number of mandates established by the law - two non-executive mandates: he holds one within BRD-Groupe Société Générale and one outside the Société Générale Group.

He is also member of the Management Board of "Fundatia 9".

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### Biography

He graduated ESSEC France. He also studied Financial Audit at the CAFR University.

Until September 2014, Mr. Jean – Pierre Georges Vigroux held various management positions such as: CEO Mazars Romania (2008-2014), partner responsible for Southeast Europe, Chairman of the Supervisory Board of Pricewaterhouse Coopers Central and Eastern Europe (2001-2004 and 2004-2006), founder and CEO of the Pricewaterhouse Coopers – Romania, member of the Pricewaterhouse Coopers's Executive Committee and Board of Directors – Central and Oriental Europe (1996-2001), Chairman of FIC (2003-2004).

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### Benoît Jean Marie OTTENWAEELTER<sup>2</sup>

Member of the Board of Directors  
Chairman of Risk Management Committee

Date of birth: December 28, 1954  
Year of the appointment in the BRD-Groupe Société Générale's Board of Directors: 2017  
Latest renewal of the mandate: 2021  
Term of mandate expires in: 2025  
He has no shares in BRD-Groupe Société Générale's capital.

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### Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law - he holds one non-executive mandate within Société Générale Group.

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### Biography

He graduated the "French Ecole Polytechnique" and the "French Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE)". He has a vast experience acquired within Groupe Société Générale, in over 33 years, in areas such as risk management, capital markets and treasury and in interaction with the international banking regulators.

During his career, he held top management positions such as: Group Chief Risk Officer, Member of the Executive Committee at Société Générale Group (2009-June 2016), Deputy then Co-Head of the Corporates, Institutions and Advisory Division, Member of the Group Management Committee at Société Générale Corporate and Investment Banking Paris (2004-2009), Head of Fixed Income, Currencies and Commodities Division of Société Générale Corporate and Investment Banking Paris (2001-2004), Deputy Head then Head of Treasury and Foreign Exchange of Société Générale Capital Markets Division Paris (1994-2000), Chief Administrative and Financial Officer then Head of

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<sup>2</sup> Until December 8, 2021 (including), Mr. Ottenwaelter was member of Remuneration Committee.

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Derivatives Department of Société Générale Strauss Turnbull London (1990-1994), Back-office manager in Société Générale Paris (1988-1990).

Other positions occupied: within the French Ministry Of Economy And Finance (1979 -1988), Professor of Statistics and Econometrics, Director of Graduate Studies at Ecole Nationale de la Statistique et de l'Administration Economique (1985-1988), Economic Forecaster at INSEE - French National Statistical Office (1981-1985), Researcher in Econometrics, Research Unit at INSEE - French National Statistical Office (1979-1981).

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## **François BLOCH**

Executive Member of the Board of Directors

Date of birth: March 31, 1967

Year of the appointment in the BRD-Groupe Société Générale's Board of Directors: 2018

Term of mandate expires in: 2022

He has no shares in BRD-Groupe Société Générale's capital.

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### **Information on mandates held**

According to the information provided through the statement of affiliation, he fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.

He is also member of the Board of Directors of Council of Banking Employers in Romania and Treasurer, member of the Board of Directors of Foreign Investors Council and co-coordinator of Financial Services and Technology and Innovation Task Forces.

He was member of the Board of Directors of Romanian Banking Association until May 27, 2021.

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### **Biography**

He is bachelor of the Ecole Nationale de la Statistique et de l'Administration Economique, Paris, in 1990. Mr. François Bloch made his entire career within Société Générale and he held the following positions: Broker, then Head of the brokerage department on derivatives markets of Société Générale Elsassische Bank, Frankfurt (1990-1993); Deputy Head, then Head of the SG's subsidiary, FIMAT Banque, Zweigniederlassung Frankfurt (1993 -1997); Deputy Head of Risks, then Head of Risks, FIMAT International Banque Paris (1997-2000); General Manager, FIMAT USA Inc. (2000-2002); Deputy Chief Executive Officer - Member of the Board of Directors, FIMAT International Banque (2002-2007); Head of Strategy and Integration, Newedge (2008-2009) and Non-executive Member of the Board of Directors, Newedge Group (brokerage subsidiary of Société Générale) (2010-2012); Head of Credit Risk on Financial Institutions and Country Risks department, Société Générale (2009-2012).

Between 2012 and the end of October 2016 he has held the positions of First Vice-President, then First Deputy Chairman of the Management Board, Member of the Management Board, and until July 2017, Member of the Board of Directors, Rosbank PAO.

Between 2012 and 2016 he exercised also the following directorships in Société Générale Group: Member of the Board of Directors, LLC Rusfinance Bank (subsidiary of Rosbank, specialized in car and point of sales financing), Member of the Board of Directors, Commercial Bank Deltacredit Joint Stock Company (subsidiary of Rosbank, specialized in mortgage loans), Member of the Board of Directors, Société Générale Strakhovanie (subsidiary of Société Générale, non - life insurance), Member of the Board of Directors, Société Générale Strakhovanie Zhizni (subsidiary of Société Générale, life insurance).

Since December 21, 2016, he holds the position of CEO of BRD - Groupe Société Générale SA.

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Since July 1, 2017, he is member of the Société Générale Group Management Committee.

Also, Mr. François Bloch is BRD's Compliance Officer, person responsible for coordinating the implementation of internal policies and procedures for the application of "Law No. 129/2019 for the prevention and combating of money laundering and terrorist financing" and of the "NBR Regulation no. 2/2019 on preventing and combating money laundering and terrorism financing".

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### **Liliana IONESCU – FELEAGA**

Independent Member of the Board of Directors  
Chairman of the Remuneration Committee<sup>3</sup>  
Member of the Audit Committee  
Member of the Nomination Committee

Date of birth: October 31, 1969

Term of mandate as interim independent member of  
BRD-Groupe Société Générale's Board of Directors:  
December 20, 2018 – April 18, 2019

Year of the appointment as Independent member of  
BRD-Groupe Société Générale's Board of Directors:  
2019

Term of mandate as Independent member expires in:  
2023

She has no shares in BRD-Groupe Société  
Générale's capital.

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### **Information on mandates held**

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law - one non-executive mandate within BRD-Groupe Société Générale.

She is also member of ASE's Board of Directors and Member of the Board of Directors and Vice-President of Romanian Chamber of Financial Auditors.

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### **Biography**

She graduated from the Bucharest University of Economic Studies, Finance and Accounting (ASE). Starting 2003 she is University Professor Doctor and starting 2005, she is PhD supervisor. She has also an International Management Degree obtained at Toulouse University.

She has a vast academic experience (over 28 years in Bucharest University of Economic Studies - ASE). Currently Mrs. Feleaga is Dean of Accounting and Management Information Systems Faculty, member of the ASE's Board of Directors, member of Chamber of Financial Auditors of Romania, Member of International Association for Accounting Education and Research.

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### **Bogdan-Alexandru DRĂGOI**

Independent Member of the Board of Directors  
Chairman of the Nomination Committee  
Member of the Risk Management Committee

Date of birth: May 27, 1980

Year of the appointment in the BRD-Groupe Société  
Générale's Board of Directors: 2019

Term of mandate expires in: 2023

He has no shares in BRD-Groupe Société Générale's  
capital.

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<sup>3</sup> Since December 9, 2021 (including), Mrs. Liliana IONESCU- FELEAGA is Chairman of Remuneration Committee

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### Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law – he holds one executive mandate outside Société Générale Group and two non-executive mandates – one within BRD-Groupe Société Générale and one outside Société Générale Group.

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### Biography

He graduated from the Tufts University, Fletcher, Boston, Massachusetts, specialization International Relations and Economics, graduated Magna cum Laude. Is member of Golden Key Honor Society, has Order of the Star of Romania – rank of Knight and Sovereign Order of the Knights of Malta – Mare Cruce pro Merito Melitensi.

He has 19 years' experience in areas such as finance, capital market and banks. He has also experience in relation with public state authorities.

Currently, he is Chairman of the Board of Directors of SIF Banat - Crişana (starting March 2015) and CEO (starting July 2015).

Through his previous positions, he acquired experience and expertise in different areas of activity (Presidential Adviser – The Administration of the President of Romania, May 2012 - December 2014; Ministry of Public Finance, February 2012 - May 2012; Secretary of State – Ministry of Public Finance, January 2009 - February 2012; CEC Bank – Member of the Board, April 2009 - February 2012; EximBank – President of Interministerial Committee for Financing, Warranties and Insurance (CIFGA), January 2009 - February 2012; Fondul Proprietatea – Member of the committee for selecting the manager of Fondul Proprietatea, March 2008 - October 2009; President of the Committee of the representatives of Fondul Proprietatea SA, September 2010 - February 2012; European Investment Bank – Member of the Board, January 2009 - February 2012; Council of Europe Development Bank – Member of the Board, January 2009 – February 2012; General Director, Economic Dept. – Bucharest Municipality, November 2007 - June 2008 etc.).

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### Valerie Marcelle Paule VILLAFRANCA

Member of the Board of Directors  
Member of Nomination Committee

Date of birth: July 1, 1970

Year of the appointment as member of BRD-Groupe Société Générale's Board of Directors: 2020

Term of mandate expires in: 2024

She has no shares in BRD-Groupe Société Générale's capital.

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### Information on mandates held

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law - one non-executive mandate within BRD-Groupe Société Générale.

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### Biography

She graduated Classe préparatoire aux grandes écoles, Lycée du Parc, Lyon (France) and has a Master degree in Finance from Paris IX Dauphine University and another Master in business administration with a specialization in Finance from Bordeaux Business School.

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She has an experience of 26 years as strategy and business consultant of which 23 years in top management positions such as Director - Head of Risk and Compliance practice for WESA region - Western Europe, South America and Africa in Boston Consulting Group (01/03/2014–17/03/2018), Managing Director - EMEA (Europe, Middle East and Africa) Head of Risk Management practice in Accenture (01/10/2010–28/02/2014), Managing Director - Founder and Global Head of Aon (01/05/2006–30/09/2010), Senior Manager in the Risk Management Practice of Ernst & Young, Paris (01/05/2002–31/03/2006), Manager in the Risk Management practice of Arthur Andersen, Paris (01/09/2000–30/04/2002), Manager in the business consulting practice - Head of Treasury services of Arthur Andersen, Paris (01/09/1998–31/08/2000).

Currently she is Group Head KYC Transformation, CPLE/KTP Société Générale.

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**Maria ROUSSEVA**

Member of the Board of Directors<sup>4</sup>  
Member of Risk Management Committee

Date of birth: April 24, 1972

Year of the appointment as member of BRD-Groupe Société Générale's Board of Directors: 2021

Term of mandate expires in: 2025

She has no shares in BRD-Groupe Société Générale's capital.

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**Information on mandates held**

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law – one executive mandate and one non-executive mandate within Société Générale Group.

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**Biography**

She graduated from University of National and World Economy, Sofia, Bulgaria, specialization International Economic Relations and she has a master's degree from Leipzig University, Germany, specialization Business studies.

She has 20 years experience in banking field over which 19 years in management positions such as: Head of Multinational Corporates at HVB Bank Biochim, Bulgaria (April 2002 – October 2005); Head of Corporate and Investment Banking at Societe Generale Expressbank, Bulgaria (November 2005 – October 2011); Deputy CEO/ Deputy Chairman of the Management Board, Head of Corporate and Financial Markets at Societe Generale Expressbank, Bulgaria (November 2012 – June 2015); CEO/ Chairman of the Executive Board at Societe Generale Bank Serbia (July 2015 – July 2019); Member of the Supervisory Board at Ohridska Banka, Societe Generale Group (February 2012 – December 2019); Member of the Board of Directors at SKB Banka Slovenia, Societe Generale Group (May 2018 – December 2019), Member of the Board of Directors at Rusfinance Bank LLC, Rosbank Group (August 27, 2019 to March 1st, 2021).

Currently, she is First Deputy CEO/ First Deputy Chairman of the Management Board at PJSC Rosbank, Societe Generale Group (since August 21, 2019), Member of the Board of Directors of Societe Generale Insurance LLC and Societe Generale Life Insurance LLC (since September 18, 2019).

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<sup>4</sup> Since July 26, 2021.

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**Aurore Brigitte Micheline GASPAR**

Member of the Board of Directors<sup>5</sup>

Date of birth: October 27, 1978

Year of the appointment as member of BRD-Groupe Société Générale's Board of Directors: 2021

Term of mandate expires in: 2025

She has no shares in BRD-Groupe Société Générale's capital.

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**Information on mandates held**

According to the information provided through the statement of affiliation, she fulfils the conditions regarding the number of mandates established by the law - one executive mandate and one non-executive mandate within Société Générale Group.

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**Biography**

She has a master's degree from EM Lyon, specialization Finance, Accounting, Economy, marketing.

She has 19 years experience in banking field over which 12 years in management positions such as: Managing Director, General Inspection of Société Générale (January 2009 to February 2012), Deputy Head of Payment and Cash Management department delivering services to corporate clients from professionals to large corporates of Société Générale (February 2012 to June 2013), Chief of staff of 2 Deputy CEO of Société Générale (June 2013 to April 2016), Deputy CEO – SG Equipment Finance US (April 2016 to November 2017), Deputy CEO – Boursorama - subsidiary of Société Générale and the 1<sup>st</sup> online Bank in France (November 2017 – December 2021).

Currently, since January 3<sup>rd</sup>, 2022, she is Deputy Head of French Retail Banking, member of the Group Société Générale Management Committee. Also, she is Member of the Board of Directors of SG Assurance (subsidiary of Société Générale, specialized in insurance) since January 2017, renewed in June 2020 and Member of the Board of Directors of LYXOR AM (subsidiary of Société Générale, specialized in asset management) since April 2020.

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**ATTRIBUTIONS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

The main competences of the Board of Directors, including those that cannot be delegated to members of the executive management, are set by law, by the Articles of Incorporation, Internal Regulations of the Bank, the "Directive on the management of approval of limits for loans and commitments", and also by the Directive "Regulation of organization and functioning of the Management Body". In cases permitted by the law, the General Shareholders Meeting may delegate other attributions to the Board of Directors as well.

The Board of Directors sets the main business and development directions of the Bank and supervises the activity of the Bank and of the executive management, and also has the ultimate responsibility for the operations and the financial strength of the Bank. The Board of Directors decides on the accounting and financial control systems and approves the financial planning.

The Board of Directors approves the Bank's business and risks management strategy, and makes sure that the activity of the executive management complies with the approved strategy and policies.

The Board of Directors approves the organisational structure of the Bank, the risk management policy, the general remuneration policy of the employees, directors and officers of the Bank.

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<sup>5</sup> Since July 26, 2021.

## MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors meets whenever necessary, but at least once every 3 months.

The notices of the Board of Directors' meetings specify the place, date and the draft agenda for the meeting, and no decision can be made regarding unexpected issues, except for emergency cases and provided they are ratified by the absent members at the next meeting.

Minutes are drafted for each meeting and include the names of the participants, the order of the deliberations, the decisions made, the number of votes cast and the separate opinions.

On February 10, 2016, Mrs. Flavia Popa – Corporate Secretary was nominated as Secretary of the Board of Directors.

## ACTIVITY OF THE BOARD OF DIRECTORS IN 2021

In 2021, 26 meetings of the Board of Directors took place, and the decisions of the Board were generally made with unanimity of votes.

The Directors attended to the Board of Directors' meetings as follows:

- Mr. Giovanni Luca Soma (Chairman of the Board of Directors), Mr. François Bloch (Member), Mr. Benoît Jean Marie Ottenwaelter (Member), Mr. Jean-Pierre Georges Vigroux (Independent Member), Mrs. Liliana Feleaga (Independent Member) and Mrs. Valerie Marcelle Paule Villafranca (Member) attended to all the Board's meetings (26);
- Mr. Petre Bunescu (Member) attended to all the Board's meetings organised until his renunciation to the mandate (3 Board's meetings);
- Mr. Bogdan-Alexandru Drăgoi (Independent Member) was absent at one Board of Directors' meeting (attended to 25 Board's meetings);
- Mrs. Maria ROUSSEVA and Mrs. Aurore Brigitte Micheline GASPARD attended to all the Board's meetings organized after receiving the NBR approval (13).

On the Board of Directors' agenda, the following subjects were included: the financial statements, Audit Plan for 2021, Financial Markets Compliance Report for 2020 and the control plan for 2021, the report regarding the internal control for 2020, approval of the Liquidity Risk Management Framework, Remuneration Policy, Risks' assessment for 2021, Risk Appetite Framework, Risk Appetite Statement, Business and Risks Management Strategy for 2021–2023, Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) Framework and Report for the year ended 2020, for reference date March 31, 2021 and September 30, 2021, ICAAP Policy, Report on Transparency and Disclosure Requirements - 2020, June, 2021 and Quarterly Report on Transparency and Disclosure Requirements - September 2021, Annual Report of Compliance Function for 2020 and Strategy for 2021 – 2022, BRD Contribution to Société Générale Group Recovery Plan 2021, the main axes for the Bank's transformation, changes in the Bank's management body, modifications in internal regulations in its specific power, changes in the organizational structure, calls of the shareholders' meeting and all the notes related to the items on the agenda, changes in the structure of the committees set up to support the activity of the Board of Directors.

Also, on the Board of Directors' agenda it was presented the status of Bank's Level Up Program.

During its meetings, the Board of Directors is regularly updated on the economic, monetary and financial environment, on the evolution of the regulations in force, Bank's financial and commercial results, significant risks, on the main events that took place within BRD and on the activity of committees set up to support the activity of the Board of Directors: the Audit Committee, Risks Management Committee, Nomination Committee and Remuneration Committee.

## COMMITTEES SET UP IN SUPPORT OF THE BOARD OF DIRECTORS

In order to develop and maintain good practices of business administration, the Board of Directors set up four committees that assist it in performing its attributions. The structure, the organisation and operation rules as well as the attributions of these committees are set and defined in the Committee Directive set up to support the Board of Directors.

### AUDIT COMMITTEE

As at December 31, 2021, the Audit Committee consisted of 3 non-executive directors, of which 2 are independent. The members of the Audit Committee were: Mr. Jean-Pierre Georges Vigroux (Independent Chairman), Giovanni Luca Soma (Member) and Liliana Ionescu - Feleaga (Independent Member).

The members of the Audit Committee have the experience required for their specific attributions within the committee.

The Audit Committee meets on a quarterly basis or whenever necessary.

The Audit Committee assists the Board of Directors in performing its responsibilities in terms of internal control and financial audit. To this effect, the Audit Committee makes recommendations to the Board of Directors regarding the strategy and policy of the credit institution in the field of internal control and financial audit. The Audit Committee's responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

In 2021, 8 meetings of the Audit Committee took place, in which there were analysed the activity and reports of internal control and conformity, internal audit and external audit. The attendance was of 100%.

After each meeting, minutes were drafted, specifying the aspects that required improvements, as well as recommendations for their application.

### REMUNERATION COMMITTEE

As at December 31, 2021, the Committee consisted of 3 non-executive directors, of which 2 are independent directors. The members were: Liliana Ionescu – Feleaga (Independent Chairman)<sup>6</sup>, Giovanni Luca Soma (Member)<sup>7</sup>, Mr. Benoît Jean Marie Ottenwaelter (Member) and Mr. Jean-Pierre Georges Vigroux (Independent member).

The year 2021 brought changes to the composition of the Remuneration Committee, as follows:

- Mr. Benoît Jean Marie Ottenwaelter was the member of this Committee until December 8, 2021 (including), date of the last Remuneration Committee meeting in 2021;
- Mr. Giovanni Luca Soma was Chairman of this Committee until December 8, 2021 (including), the date of the last Remuneration Committee meeting in 2021;
- Mrs. Liliana Ionescu – Feleaga was nominated as Independent Chairman of this Committee starting with December 9, 2021, after the last Remuneration Committee meeting in 2021.

The Remuneration Committee meets annually, or whenever necessary. In 2021, 3 meetings of the Remuneration Committee took place. The attendance was of 100%.

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<sup>6</sup> Since December 9, 2021.

<sup>7</sup> Since December 9, 2021. Until December 8, 2021 (including) Mr. Soma was the Chairman the Remuneration Committee.

In order to perform the attributions entrusted, the Remuneration Committee analyses the Bank's remuneration policy which it submits to the Board of Directors for approval; it submits proposals regarding the individual remuneration of non-executive directors and the additional individual compensation of the directors entrusted with specific functions within the Board as well as the individual remuneration of the officers; it supervises directly the remuneration of the coordinators of the risks' management and compliance functions; and it supervises the application of the principles of the staff remuneration policy and informs the Board of Directors in this respect.

The Remuneration Committee responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

## **RISKS MANAGEMENT COMMITTEE**

The Committee consisted of 3 non-executive directors. As at December 31, 2021, the members were: Mr. Benoît Jean Marie Ottenwaelter (Chairman), Mr. Bogdan-Alexandru Drăgoi (Independent Member) and Mrs. Maria Rousseva (Member)<sup>8</sup>.

The Risks' Management Committee meets on a quarterly basis or whenever necessary.

In 2021, 4 meetings of the Risks' Management Committee took place. The attendance was of 100%.

At the meetings of the Risks' Management Committee may participate, as permanent guests, the members of the Executive Committee, Chief Financial Officer, Risk Piloting Pole Executive Officer/Risk Deal Flow Pole Executive Officer, Retail Distribution Executive Officer, Top Corporates Executive Officer/Sales Manager Top Corporates, DPF Executive Officer, BIS Director and Corporate Secretary.

The Risks' Management Committee assists the Board of Directors in defining the global risks strategy of the Bank and the risk appetite and assists the Board of Directors in overseeing the implementation of such strategy.

Its objective is the management of significant risks, risks with high impact on the assets and/or image of the Bank (credit risk, market risk, liquidity risk, operational risk and reputational risk), as well as the risks associated to the outsourced activities.

The Risks' Management Committee's responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

## **NOMINATION COMMITTEE**

As at December 31, 2021, the Committee was composed of 3 non-executive directors of the Board of Directors: Mr. Bogdan-Alexandru Drăgoi (Chairman), Liliana Ionescu -Feleaga (Independent Member) and Valerie Marcelle Paule Villafranca (Member).

The Nomination Committee meets half-yearly or whenever necessary.

In 2021, 5 meetings of the Nomination Committee took place.

In exercising its powers, the Nomination Committee identifies, makes proposals and submits for approval by the Board of Directors, the nominees to fill positions within the management body; is involved in formulating the policy on the selection, evaluation and sequencing of the management body members, which it submits to the Board of Directors for approval; it assesses periodically and at least once a year the

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<sup>8</sup> Since July 26, 2021.

structure, size, composition and performance of the management body and makes recommendations to the Board of Directors on any modifications which it considers necessary.

The Nomination Committee's responsibilities are presented in the Bank's Corporate Governance Code available to the interested parties on institutional site in section: <https://www.brd.ro/en/about-brd/shareholders-and-investors/corporate-governance>.

## EXECUTIVE MANAGEMENT

The management and the coordination of the current activity of the Bank is delegated by the Board of Directors to the executive officers.

The executive officers of the Bank are elected by the Board of Directors, among directors or from outside the Board, and act together in the Executive Committee.

The term of mandate is of 4 years and can be renewed.

The Executive Committee is composed of the CEO and seven Deputy CEOs. The Executive Committee is led by the CEO.

The year 2021 brought changes to the composition of the Executive Committee, as follows:

- Mr. François José Aldeguer decided to renounce to his mandate as Deputy CEO Projects and Operations starting with January 31, 2021, for personal reasons.
- The Board of Directors, held on December 10, 2020 decided the nomination of Mrs. Mirela Virginia Medeleian as Deputy CEO Projects and Operations, after NBR approval. NBR approved Mrs. Mirela Virginia Medeleian nomination as Deputy CEO Projects and Operations and her mandate entered in force starting with June 7, 2021.

## MEMBERS OF THE EXECUTIVE COMMITTEE AS OF DECEMBER 31, 2021

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**François BLOCH**  
CEO

Year of the appointment as CEO: 2016  
Year of the appointment as Compliance Officer:  
2019

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Compliance Officer, person responsible for coordinating the implementation of internal policies and procedures for the application of "Law No. 129/2019 for the prevention and combating of money laundering and terrorist financing" and of the "NBR Regulation no. 2/2019 on preventing and combating money laundering and terrorism financing"

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Following structures coordinated: General Secretariat, Compliance Department, Human Resources Department and Internal Audit Department.

Member of *various Committees set up to support the Executive Committee activity*: Risk Retail Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Benchmarks and Market Conduct Oversight Committee, Crisis Committee and Chairman of Assets and Liabilities Management Committee, Compliance Committee and Climate, Environmental and Social Change Committee.

Other information: please see the section "Board of Directors" of the present Report.

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**Alexandru-Claudiu CERCEL-DUCA****Deputy CEO - Financial Markets**

Date of birth: February 17, 1968

Year of the appointment as Deputy CEO: 2008

He has 1,030 shares in BRD-Groupe Société Générale's capital.

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Structures coordinated: the Financial Markets Pole, Financial Markets Division, Securities Division, Financial Markets Solutions and Governance Division, Markets AI Hub, Markets' Research Service Unit.

Member of *various Committees set up to support the Executive Committee activity*: Assets and Liabilities Management Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee and Chairman of Benchmark Indices and Market Conduct Oversight Committee.

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**Information on mandates held**

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale.

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**Biography**

Graduated the Economic Studies Academy - Cybernetics Faculty, in 1992, as well as various management and leadership training courses organized both by Société Générale and other banking institutions: Nomura Bank (London), Bank of America (San Francisco), or the Montreal University and London Business School. He graduated the Executive Master of Business Administration (EMBA) - ASEBUSS Bucharest / University of Washington, USA. Between 1992 and 1993, he was a sales manager in the field of communications products. He has worked within BRD-Groupe Société Générale since 1993, and occupied the positions of Treasury Officer, FX technical analyst, FX trader, Treasury Deputy Manager, Market Operations Manager and Executive Officer of Financial Markets.

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**Yves Jean Guenole LALLEMAND****Deputy CEO Global Corporates**

Date of birth: December 17, 1967

Year of the appointment as Deputy CEO: 2018

*He has no shares in BRD-Groupe Société Générale's capital.*

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Coordinates the Global Corporates Pole including the following structures: Senior Banker, Environmental Social and Positive Impact Financing Director, Corporates Transversal Management Center, Top Corporates Coverage Division, SME Coverage Department, Corporate Marketing & Sales Management Department, Corporates Credit Group Department, Structured Finance Division, Corporate Finance Division, Global Transaction Banking Department.

Member of *various Committees set up to support the Executive Committee activity*: Assets and Liabilities Management Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee.

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### Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - one executive and one non-executive mandate within BRD Group.

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### Biography

He obtained a Master's Degree in Business Administration with HEC (Hautes Etudes Commerciales). He has a professional experience of 29 years in Société Générale Group.

In 1992 he began his collaboration with Société Générale within General Inspection Department as Inspector.

Later on, he occupied the following functions in Société Générale : Managing Director – Strategic and Acquisition Finance (June 1999-September 2005), Global Head of Structured Leasing (October 2005-December 2006), Deputy Global Head of Infrastructure and Asset Finance (January 2007-March 2013), Global Head of Corporate Clients and Member of the Management Board of the International Banking and Financial Services Division (April 2013-August 2016) and Advisor to Société Générale Splitska Banka Chairman of the Management Board (August 2016-September 2016). He also exercised the following directorships inside the SG Group: member of the Board of Directors of Société Générale Algeria (from August 2014), Chairman of the Supervisory Board of SG Leasing Croatia (August 2016-May 2017), Chairman of the Management Board of Société Générale Splitska Banka (September 2016-May 2017).

In May, 2017 he became Advisor to the Head of the European Region, Société Générale, function held until August 2017.

In August, 2017, he joined BRD - Groupe Société Générale as Advisor of BRD's CEO.

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**Mihai Tiberiu SELEGEAN**  
Deputy CEO Legal & Administrative

Date of birth: July 23, 1975  
Year of the appointment as Deputy CEO: 2019  
He has 700 shares in BRD-Groupe Société Générale's capital.

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Structures coordinated: Legal department, Logistic Division, Security Division, Real Estate Management and Transversal Activities Department, Personal Data Protection Cell

Member of *various Committees set up to support the Executive Committee activity*:, Internal Control Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Climate, Environmental and Social Change Committee and Chairman of Safety and Occupational Health Committee and of Follow-Up Committee.

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### Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale.

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## Biography

He graduated from Law School – University of Bucharest and has a Master degree in International Business Law from Central European University, Budapest. He has an extensive experience in various areas in the legal field: Expert at Council of Europe, Strasbourg (2006-2009) being in charge with the assessment of the state of the reforms for the judiciary and with the creation/reforming/improvement of work for institutions in charge with the training of judges and prosecutors; Deputy Director (July 2003-January 2004) and then Director of the National Institute of Magistracy (2004-2008), coordinating the training of future and sitting judges and prosecutors in the field of European Convention on Human Rights (ECHR) (2002-present), etc.

He is also author of different publications in legal field.

From January 2017 to June 2019 he was Member of the Supervisory Board of the Euro Bank S.A. In April 2008, he joined BRD - Groupe Société Générale by taking over the position of Legal Executive Director. NBR approved him in this quality in 2015.

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**Stéphane Benoit FORTIN**  
Deputy CEO Finance/Treasury

Date of birth: October 5, 1973  
Year of the appointment as Deputy CEO: 2019.  
He has no shares in BRD-Groupe Société Générale's capital.

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Structures coordinated: Financial Department, Level 2 Accounting Control Service, Acquisitions Division, Cash Administration Department.

Member of various Committees set up to support the Executive Committee activity: Assets and Liabilities Management Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Climate, Environmental and Social Change Committee.

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## Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate and two non-executive mandates as follows: one non-executive mandate within BRD Group and one non-executive mandate outside Société Générale Group.

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## Biography

He graduated from Nancy Commercial Institute (ICN) and has a Master degree in Technical sciences, accounting and finance (MSTCF).

Mr. Fortin has over 24 years' experience within Société Générale Group, of which over 20 in management positions such as: Administrative and Financial Director Bank Société Générale Vostok – Russia (2009-2011), Financial Director, Member of Executive Committee Société Générale Serbia (2004-2009), Controlling Director Société Générale Expressbank Bulgaria (2000-2004).

In 2011, he joined BRD - Groupe Société Générale by taking over the position of Chief Financial Officer. NBR approved him in this quality in 2013.

In Romania, he was also unique director of BRD Corporate Finance SRL (Bank's subsidiary specialised in M&A's and structured finance) and starting 2011 is member of the Board of Directors of BRD Sogelease IFN SA (Bank's subsidiary specialised in financial leasing.)

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**Radu - Octavian TOPLICEANU****Deputy CEO - Retail**

Date of birth: July 9, 1969

Year of the appointment as Deputy CEO: 2019

He has no shares in BRD-Groupe Société Générale's capital.

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Coordinates Retail Pole including the following structures: Retail Pole, Retail Customers Value Management Department, Retail Distribution Department, Contact Center Department, Retail Digital Transformation Department, European Funds, National Programs and Partnership Department and Network Regions Retail.

Member of various Committees set up to support the Executive Committee activity: Assets and Liabilities Management Committee, Risk Retail Committee, Internal Control Committee, Pricing Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee, Data governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee.

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**Information on mandates held**

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale.

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**Biography**

He graduated from Faculty of Energetics at Bucharest Polytechnic University and has a Master in Business Administration at Asebuss Master and another in Executive Banking School at Consumer Banking Association USA. Mr. Radu Topliceanu has more than 20 years' experience in Retail banking activities, and contributed to the successful transformations of this sector across diverse markets, leveraging deep knowledge of segments, products and channels.

He occupied the following functions: Director at Standard Chartered Bank – Singapore (January 2018-July 2019), Head of Retail Segment and Multichannel Distribution – Europe for Sberbank – Vienna (October 2016-December 2017), Head of Sales and Distribution – Europe for Sberbank Europe – Vienna (January 2014-September 2016) and for almost 11 years he coordinated different areas in retail sales for Raiffeisen Bank Romania and Vienna, as Digital Banking Director (2002-2005), Sales Director –Retail Division (2005-2006), Head of Sales and Distribution- South Eastern Europe (2006-2007), Sales Finance Director (2007-2008), Executive Director- Head of Lending Area (2008-2009), Executive Director -Head of Mass Customer Area (2009-2011) and Executive Director –Head of Private Individual Customers –Segments and Products (2011-2013). He was member of Supervisory Board and member of Risk Committee of Sberbank Slovenia (2016-2017).

In 2019, he joined BRD - Groupe Société Générale by taking over the position of Advisor of the CEO on Retail field.

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**Philippe Yves Henri Pierre Marie  
THIBAUD  
Deputy CEO Risks**

Date of birth: February 5, 1968

Year of the appointment as Deputy CEO: 2020

He has no shares in BRD-Groupe Société Générale's capital.

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Structures coordinated: Risk Piloting Pole, Risk Deal Flow Pole and the Special Credit Management Department.

Member of various Committees set up to support the Executive Committee activity: Assets and Liabilities Management Committee, Risk Retail Committee, Internal Control Committee, Crisis Committee, Project Review Committee, Career Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee and New products Committee – Co-Chairman.

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### Information on mandates held

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale and two non -executive mandates outside Société Générale Group.

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### Biography

He graduated from Université Paris I - Panthéon Sorbonne, has a diploma from Ecole Normale Supérieure de Cachan, qualification on Aggregation Economics and Management and also a diploma from Université Paris XI – Val de Marne Créteil - Postgraduate (DEA) Management.

Mr. Thibaud has 21 years of experience in risk management and credit analysis field, out of which 20 years in Société Générale Group.

During his career, Mr. Thibaud acquired a significant expertise in various fields of risk management: credit risk, operational risk, market risks, experience in all markets from retail to very large CIB clients, LOD2 as well as LOD1 positions held in France as well as in The Netherlands, management of large teams.

Mr. Thibaud held the following positions in banking field: Deputy Head of Risk France with Société Générale, Paris (January 2018-August 2019), Head of Risk North of France at Société Générale, Paris / based in Lille (September 2014-December 2017), Co-Head of Credit Société Générale, Paris CIB – France (March 2008-August 2014), Relationship Manager, CIB - The Netherlands at Société Générale, Amsterdam branch (September 2001-February 2008), Credit Manager at GE Access –European headquarters (May 2000-August 2001).

He also has academic expertise as Allocataire Moniteur Normalien (Lecturer / Researcher) at the Université Paris XII, Université Paris I Pantheon-Sorbonne and at the Institut Universitaire de Technologies de Sceaux (September 1994-August 1996), Teacher of Accounting and Management, Training co-coordinator of the Chartered Accountant Preparation at Ecole Nationale de Commerce de Bessieres (September 1996-April 2000).

In September 1<sup>st</sup>, 2019, he joined BRD - Groupe Société Générale as Advisor of BRD's CEO.

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**Mirela Virginia MEDELEAN<sup>9</sup>**  
Deputy CEO Projects and Operations

Date of birth: September 14, 1971  
Year of the appointment as Deputy CEO: 2021  
She has 20,000 shares in BRD-Groupe Société Générale's capital.

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<sup>9</sup> Starting with June 7, 2021

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Structures coordinated: Projects and Operations Director; Business Solutions Center Pole; Infrastructure & Production Operations Department; Information Security Division; Processes Transformation and Consultancy Division; Operations Pole; Financial Market Services Division; Business Intelligence Center Department

Member of various Committees set up to support the Executive Committee activity: Internal Control Committee, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee.

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### **Information on mandates held**

According to the information provided through the statement of affiliation, he has no executive and non-executive positions in not-for-profit institutions and fulfils the conditions regarding the number of mandates in companies established by the applicable law - one executive mandate within BRD Groupe - Société Générale.

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### **Biography**

She graduated from West University of Timisoara, Economic Sciences Faculty, specialization: Accounting and Management of Information System and has a Master of Economic Science, Business evaluation and diagnosis specialization.

Mrs. Mirela Virginia MEDELEAN has 25 years experience in various fields of banking activity, of which over 17 years in management positions such as: Business Analysis Deputy Director/Projects and Organization Department (July 2003 – August 2005), Deputy Director/Projects and Organization Department (August 2005 – Oct. 2008), Network Systems and Processes Director/ Network Administration Department (Oct. 2008 - Dec.2011), Deputy Director/ Human Resources Department (Jan. 2012 – June 2016), Director/Business Intelligence Center Department (June 2016 – Nov 2019), Human Resources Department/ Executive Director (Nov.2019-July 2020), Business Intelligence Center Director (July, 2020 to Sept. 2020), Projects and Operations Director (Sept. 2020 - June 2021).

She also has academic expertise as University assistant within West University of Timisoara, Economic Sciences Faculty, since 1995 to 1998.

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### **ATTRIBUTIONS AND RESPONSIBILITIES**

The executive officers are in charge of taking all the measures in relation to the company's management, within the limits of the company's object of activity and in compliance with the powers exclusively reserved by law or by the Articles of Incorporation to the Board of Directors and the General Shareholders Meeting.

Each executive officer is vested with all the powers to act on behalf of the Bank and to represent it in the relationships with third parties, in any circumstances related to the activities that they coordinate, in compliance with the legal provisions, the Articles of Incorporation and the Internal Regulations of the Bank.

Within the limit of the powers and responsibilities set forth by the Board of Directors, the executive officers act jointly, organised in the Executive Committee, for a series of activities / operations specific to the activity of the Bank, detailed in the Articles of Incorporation, in the Internal Regulations of the Bank, the "Directive on the management of approval limits for loans and commitments" and in the Directive "Regulation of organization and functioning of the management body".

### **MEETINGS OF THE EXECUTIVE COMMITTEE**

The meetings of the Executive Committee are held at least once every two weeks, or any time the activity of the Bank requires it.

In 2021, 132 meetings of the Executive Committee took place.

The decisions of the Executive Committee are made with votes "FOR" of at least half of the members of the Executive Committee. Voting cannot be delegated within the meetings of the Executive Committee.

The minutes of the meeting are signed by the executive officers who attended the meeting immediately after their drafting.

The Executive Committee provided the Board of Directors, regularly and comprehensively, detailed information about all the major aspects of the Bank's activity, including risk management, potential risk assessment and compliance matters, measures taken and recommended, irregularities found while performing its attributions. Any major event is communicated immediately to the Board of Directors.

### **COMMITTEES SET UP IN SUPPORT OF THE EXECUTIVE COMMITTEE**

The committees set up to support the Executive Committee assist it in performing its attributions on various business lines, particularly on the operational activity of the Bank. The members of these committees are the members of the Executive Committee and the management of the structures impacted.

The most important committees are:

#### **INTERNAL CONTROL COMMITTEE**

It is a permanent consultative committee, which has as main task to analyse the adequacy of the internal control framework, including business continuity and crisis management as regards organizing / functioning, by analysing the results obtained and the deficiencies found in the internal control activity. In order to fulfil its mission, the main themes subject to debate in the committee are operational risks, activity continuity and crisis management, managerial supervision, managerial supervision of accounts, audit, conformity and reputational risk, IT security, deficiencies found in the supervision reports / minutes of the authorities, protection of personal data.

#### **ASSETS AND LIABILITIES COMMITTEE**

It is a permanent consultative committee which assists the Executive Committee in performing its attributions related to the management of assets and liabilities structure, liquidity and funding sources management, structural risks management (interest rate risk and foreign exchange risk in the banking book) and capital management.

#### **COMMITTEE FOR NEW PRODUCTS**

It is a permanent consultative committee that ensures the identification, the analysis and the reliable measurement of risks associated to new products, offered to the Bank's clients, including material changes of the existing products.

#### **PRICING COMMITTEE**

It is a permanent consultative committee whose mission is to analyse and propose measures to the Bank's decisional bodies on pricing policy and strategy (commissions and fees, interest rates) regarding the Bank's products, taking into consideration the budgetary targets, the competitive environment, the commercial strategy and market developments.

#### **RISK RETAIL COMMITTEE**

It is a committee whose mission is to formalize the measures proposed by Bank's structures in order to improve the Bank's retail lending activities.

## CUSTOMER BOARD

It is a permanent consultative committee dedicated to customer experience, which aims to ensure at the level of the whole Bank the efficiency of the process of improving the quality of the experiences offered to the clients, from the perspective of the feedback received from the clients.

## COMPLIANCE COMMITTEE

It is a permanent consultative committee whose main mission is to analyze the way in which the compliance risk is managed, including the presentation of the deficiencies found in the compliance control activity.

## CLIMATE, ENVIRONMENTAL AND SOCIAL CHANGE COMMITTEE

It is a permanent consultative committee whose main mission is to carry out strategic CSR analyzes by reporting to the Bank's objectives, in order to present to the Management Committee the measures for implementing the CSR strategy in this area. This mission includes making proposals for setting the Bank's objectives, adopting the relevant regulatory framework, monitoring the Bank's commitments, communication and any other topics related to environmental, climate and social issues.

**OTHER COMMITTEES:** Crisis Committee, Safety and Occupational Health Committee, Projects Review Committee, Follow-up Committee, Career Committee, Communication Committee, Innovation Committee, Data Governance Committee and Benchmarks and Market Conduct Oversight Committee.

## BRD - GROUPE SOCIÉTÉ GÉNÉRALE'S SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE AS AT DECEMBER 31, 2021:

Name	Number of shares
Mirela Virginia MEDELEAN	20,000
Alexandru - Claudiu CERCEL - DUCA	1,030
Tiberiu Mihai SELEGEAN	700
TOTAL	21,730

## RIGHTS OF SHAREHOLDERS

BRD-Groupe Société Générale respects the rights of its shareholders and ensures equal treatment for all of them.

## VOTING RIGHT

The Bank's shares are indivisible and confer equal rights to their holders, each share entitling to one vote in the General Shareholders Meeting.

General Assemblies are called by the Board of Directors.

The notice of meeting is sent at least 30 days before the date set, in compliance with the legal provisions regarding the publicity and notification of the Financial Supervisory Authority - Financial Instruments and Investments Sector and of the Bucharest Stock Exchange ("BVB").

The shareholders can attend the General Assemblies personally, through a representative or they can vote by correspondence. Forms of power of attorney and vote by correspondence are made available to the shareholders in the special section on the Bank's own Internet page.

The procedures regarding the works of the General Assembly of the Shareholders are available to shareholders and other interested parties on the institutional site.

## RIGHT TO DIVIDENDS

Each share of the Bank, held by a shareholder at the registration date (set according to the specific regulations and approved by the General Shareholders Meeting) entitles the shareholder to dividends for the prior financial year, in the quantum and conditions established by the General Shareholders Meeting.

The Dividend Policy is available to shareholders and other stakeholders on institutional site in Corporate Governance section: <https://www.brd.ro/en/about-brd/investors-and-shareholders/corporate-governance/dividend-policy>, immediately after the Board of Directors approval.

The dividend policy reconfirms the engagement of the Board of Directors to offer shareholders the opportunity to obtain a return for the invested capital and for the Bank the opportunity for a sustainable development.

## RIGHT TO INFORMATION

BRD makes sure its shareholders have access to relevant information, so that they may exercise all their rights in an equitable manner. The communication strategy of the Bank relies on the following principles:

- Equal access to information for all shareholders and immediate availability of relevant information;
- Meeting deadlines for the publication of the results;
- Transparency and coherence of the provided information.

BRD-Groupe Société Générale sets up and maintains a dedicated structure managing the relation with investors and other stakeholders.

Shareholders / investors may send their requests to the Bank through e-mail or over the telephone, at the contact data displayed on the institutional site. The relevant information is published on the Bank's internet page, both in Romanian and in English.

For the information of shareholders and investors, the Bank sets at the beginning of the year a financial reporting calendar, which it sends to the Bucharest Stock Exchange and to the Financial Supervisory Authority. The quarterly financial reporting is prepared according to International Financial Reporting Standards as adopted by the European Union - and in compliance with the regulations specific to the capital markets.

In order to communicate on its financial results, BRD-Groupe Société Générale organizes meetings/ live audio webcasts with financial analysts, investment consultants, brokers and investors. These meetings during which the results of the Bank are presented, are an opportunity for Bank's management and the financial market analysts to exchange opinions. The same policy of transparency has been adopted regarding the communication with the rating agencies and with capital markets institutions. In 2021, the Bank organised 1 press conference for presenting the preliminary financial results as at December 31, 2020 and 4 live audio webcasts for the interim financial results.

### 2022 financial calendar

Publication of the preliminary financial results December 31, 2021 and meeting with journalists for presenting these results	February 10, 2022
Ordinary General Assembly of Shareholders	February 24, 2022
Annual General Assembly of Shareholders	April 28, 2022
Publication of the Annual Report 2021 – financial results as of December 31, 2021	April 28, 2022
Communication of results for Q1 2022	May 5, 2022
Communication of results for first half of 2022	August 3, 2022
Communication of results for Q3 2022	November 4, 2022

### 3. HUMAN RESOURCES

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#### KEY FIGURES 2021

- **5,974** active employees in BRD, with:
  - **725** external recruitments
  - **1,135** functional mobility
  - **16.5%** total turnover, out of which **10.8%** voluntary turnover.

The number of active employees of the Group as of 2021 end was 6,408 (2020 end: 6,860), while the number of active employees of the Bank as of 2021 end was 5,974 (2020 end: 6,357). Active employees are those present at work (excluding maternity leave and long - term sick leave).

In 2021, the Human Resources Department (HR) continued to deliver projects and actions in line with the strategic HR axes: career management, managerial development, employee engagement, efficiency and communication.

#### BUSINESS SUPPORT AND CONTINUOUS IMPROVEMENT

During 2021, the Human Resources Department continued to support business by sustaining the evolution of the business model. The purpose of the Bank was to ensure efficient and dynamic structures, in order to better respond to the needs of the clients (increased focus on remote banking) and to maximize the results obtained. Among the main projects we mention: optimizing the structure of the different departments at the Head Office level, territorial reorganizations at the network level (relocations and mergers of agencies) and providing support for special projects (e.g. outsourcing transport and cash management) etc.

#### CAREER MANAGEMENT

Throughout last year, meetings between HR and employees continued in order to identify the potential of each employee and the mobility opportunities according to their experience and skills. In 2021, more than 1,100 employees changed their position as a result of the Bank's internal mobility policy. Changes of functions were accompanied by specific training paths, which contain various learning methods.

More than 700 persons were recruited in 2021 from outside the Bank, the internal mobility being the priority. The recruitments were targeted only on niche positions or high expertise, with focus on IT domain as a support to omni-channel and digital strategy.

90% of our employees have graduate studies and 10%, undergraduate studies.

#### TRAINING & RISK AWARENESS

In a challenging and changing business environment, continuous skills development is the right way to go to support the Bank's short and medium-term goals.

The 2021 training strategy aimed at developing both commercial skills, technical skills (according to the business strategy), managerial development skills, and specific regulations' knowledge through risk management and compliance courses for BRD employees. The diversified training offer covered the training needs of the collaborators, in a format adapted to all profiles (juniors, seniors, experts / specialists), correlated with the support and development of the competencies aimed for each role, in a mix of theoretical and experiential learning with direct involvement of the participant in the choice of training actions, identifying his training needs together with his manager.

In order to adapt to the rapid changes in the business environment, strategic workforce planning projects have been implemented in retail and corporate areas. Employee skills are a major asset of the Bank's success. Our aim is to promote the permanent adaptation of employees' skills to the rapid changes in our environment and to allow them to access motivating career paths. At the same time, the e-learning project developed together with CPBR (Romanian Board of Banking Employers), with the representatives of the

Trade Unions (through Federation of Insurance and Banking Trade Unions) and the 4 member banks (BCR, Raiffeisen, ING and Unicredit) was continued. Its main objective is to develop the skills of employees so that we can adapt more easily to the labor market changes and the digital future. The course catalogue in the new platform focuses on 3 major topics that address digital technology:

- Digital skills (digitization awareness, PC and reporting skills, analytical skills and numerical);
- Collaboration through digital channels (sales, cashless operations, customer orientation from a digital perspective);
- Customer satisfaction and approach in the context of digitization (remote work, messaging and collaboration tools such as video conferencing, distance learning, etc.).

During 2021, constantly taking into account the situation generated by the Covid-19 pandemic context, the training courses continued to be adapted to the distance / online interaction format.

The main axes of development were:

- Developing a risk culture awareness in BRD through mandatory e-learning programs prepared in cooperation with Société Générale Group ("Code of Conduct", "Information security", "Market abuse", "Fatca", "Anti bribery and corruption", "Environmental risk management", "Anti-money laundering", etc.) and local e-learning (SSM – health and safety at work, "Physical security events", "GDPR"), increasing the number of case studies presented during virtual/ face-to-face trainings;
- Developing of specific competences of social and corporate responsibility (CSR) with a focus on the area of ESG (Environment, Social Impact, Governance) through e-learning training using training platforms;
- Integrated training programs for the new employees:
  - "Welcome to BRD week" program, in which the new employees have access to general information about the Bank, BRD values, basic knowledge regarding compliance, credit risks, as well as HR issues regarding training, career management;
  - The "Induction" program - for front office sales teams - focuses on knowledge of specific products and applications, related risks, behavioral skills, and the development of specific business skills, through an experiential approach to learning Business
- Academies adapted to the Bank's client segments: Retail - individuals, Retail - small companies, as well as for the Corporate segment.

These trainings are modular programs, on levels of knowledge and expertise, adapted to the roles in the organization (both for managerial functions and for operational teams), having different degrees of complexity and covering as main directions: offer, financial and risk analysis, skills - sales, customer portfolio management, communication, and negotiation.

There are training programs dedicated to each business-line, curricula developed and updated according to the commercial requirements expressed and regulatory developments, with business guests - bank specialists on various topics, along with internal trainers.

- Behavioral training programs (topics such as: customer relationship management, communication, sales and negotiation techniques, stress management, conflict management, teamwork, feedback - a tool for development and performance, how to make a team meeting more attractive, hybrid management, etc.) which were completed in 2021 by the development of the webinars & coaching sessions program dedicated to employees, starting from the need to stay connected to each other: "We Connect", and for managerial roles through the "Horizon" program.
- Other training programs, based on business requirements and regulations:

- ✓ certification-trainings in the field of insurance and private pensions for front-office employees;
- ✓ initial and continuous training courses in e-learning format for MiFID II.

## **EMPLOYEE ENGAGEMENT AND IMPACT ON THE EDUCATIONAL ENVIRONMENT**

In 2021 BRD continued employee's engagement with impact in educational environment, being one of the strategic axes, also adapted to the pandemic context.

We continued the volunteering actions among employees through Human Resources programs organized in universities and high schools, both in Bucharest and in the country, through Mindcraft Academy and also in partnership with NGOs (Junior Achievement).

Mandatory practice for students moved to online platforms and over 100 students finished the program.

The Mindcraft Academy program was focused on four key locations (Craiova, Iasi, Timisoara and Bucharest), also, classical modules were replaced with live webinars on hard and soft skills based on case studies.

## **WORK/LIFE BALANCE**

In order to ensure a balance between professional and personal life, the Human Resources Department continued the projects:

- "The BRD ID card Matters!" through which discounts are negotiated for BRD employees, formalized under a series of agreements.
- "Bookster" is a modern library that delivers books directly to the office but also an online platform where the employees can borrow books, read case studies online or watch TED videos or courses taught at top universities. They can choose among thousands of books on professional and personal development areas, social affairs, finance, success stories, hobbies, time management, literature, etc.
- Open Studio - organization of online seminars with a focus on information of interest (Covid-19: 6 conferences with occupational medicine partner, anti-tobacco webinar, etc.).
- Work and study environment: training methods adapted for different populations in the current context, impacted by the Covid-19 pandemic. In 2021, we also launched our future hybrid work model with a mix of telework and office (ideally between 1-3 days of telework / week), as long as the nature of the work allows it, which will be implemented once the alert state is lifted.

## **REMUNERATION POLICY AND PRACTICES**

The BRD Remuneration Policy and Practices respects:

- Local and EU regulations: Regulation 5/2013 BNR modified by Regulation 11/2020, CRD V, delegated Regulation (UE) 923/2021, MiFID II, Volker
- EU guidelines on sound remuneration policy and remuneration of sales staff
- Société Générale policies

The Remuneration Policy is approved by the Board of Directors of BRD upon recommendation of the Remuneration Committee.

## **BRD REMUNERATION POLICY**

- Is constantly adapted to the culture, growth and profitability objectives and to the long-term strategy of the Bank, as well as its control framework;

- Promotes a sound and efficient risks' management; for the employees involved in the activity of Financial Markets and investment advice, sound and prudent management of the risks related to sustainability is also considered starting with March 2021;
- Helps limit and control of possible operational risks without encouraging any risks that exceed the Bank's risk tolerance level. The Bank encourages a prudent behavior (avoiding excessive risks);
- Recognises the individual and collective performance, while encouraging teamwork, ensuring a fair and competitive remuneration subject to strictly complying with the powers and performance; performance is assessed in a multiannual framework;
- In evaluation of individual performance, financial and non-financial criteria are considered, as: accumulated knowledge, personal development, contribution to the team's performance etc.

The Bank ensures a correct and competitive remuneration, by strictly complying with competences and performances, with 2 components correctly proportioned:

- fixed component
- variable component

Fixed remuneration - reflects the relevant professional experience and organisational responsibility, according to the employee's job description as part of the employment terms. Fixed remuneration represents a sufficiently high proportion of the total remuneration to allow the application of a fully flexible policy on the components of variable remuneration, including the possibility of not paying any of its components.

Variable remuneration - reflects a sustainable and risk-adjusted performance as well as the performance that exceeds the necessary performance to fulfill the duties provided for in the employee's job description as part of the employment terms.

Variable remuneration:

- It is not guaranteed or carried forward automatically from one year to another. The variable component distribution mechanisms do not guarantee the granting of sums over several years. Thus, the variable remuneration is subject to a fair annual review process;
- Guaranteed bonuses are granted only in exceptional circumstances related to the time of employment and can only be granted in the first year of employment and when the Bank has a sound and solid capital base. BRD personnel is not overly dependent on bonuses;
- It does not limit the Bank's ability to strengthen its capital base;
- It is not paid through means or methods that facilitate the circumvention of the regulations in force;
- It does not encourage taking risks which influence the Bank's risk profile;
- It also takes into consideration all current or future risks;
- Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.

The Bank may decide to reduce or not even grant the variable remuneration if it cannot be supported in accordance with the overall financial situation of the Bank, of the structure in which the activity is carried out and the employee concerned.

The variable remuneration is considerably reduced if the Bank records a poor or negative financial performance, taking into account both the current remuneration as well as the reductions in payments related to the sums due, as previously determined, including malus or clawback agreements signed. Up to 100% of the variable remuneration is subject to malus or clawback signed agreements.

For different types of jobs, it is possible to use different schemes for granting the variable remuneration. There is a maximum limit defined for the variable component, which may not exceed 100% of the fixed component of the total remuneration.

For sales staff, commercial objectives are set to take into account the rights and interests of the customers, so that:

- Sales process is in the client's interest;
- They do not promote the provision of a specific product/ service or a category of products/ services over other products/ services such as products/ services which are more profitable for the institution or for an employee, to the detriment of the consumer.

The special principles applicable to the categories of identified staff are:

- The variable remuneration may decrease or even not be paid at all.
- The personnel members are paid, or receive the rights related to the variable remuneration, including the deferred part thereof only if the variable remuneration can be supported in accordance with the Bank's overall financial situation and if it can be justified in accordance with the performance of the Bank, the structure in which the activity is carried out and the individual concerned.
- The personnel members receive the rights of the deferred part of the variable remuneration, subject to the fulfillment of the minimum performance requirements.
- A major part, which, in all cases, accounts for at least 40% of the variable remuneration component, is deferred for a period of at least 4 years. For identified staff, at least 50% of any variable remuneration shall consist of shares equivalent, which are subject to an appropriate retention policy, designed to harmonise the incentives with the Bank's long-term interests.
- The personal strategies for risk hedging or insurance policies related to remuneration and liability to counteract the risk alignment effects stipulated in the personnel remuneration agreements are prohibited. One may insure the currency risk hedging using derivative instruments.

Financial data for 2021, according to the disclosure requirements covered by Art. 450 (h), EU Regulation 575/2013, will be published at a later date, on the Bank's website.

## **REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE**

### **a) Remuneration of the members of Executive Committee (including CEO)**

Remuneration is composed of monthly fix remuneration and variable annual remuneration granted as performance bonus. For management expatriate staff there are granted some benefits according to Société Générale's policy, in order to facilitate their living with families in Romania.

### **b) Remuneration of the members of the Board of Directors**

For 2021, the Ordinary General Shareholders Meeting approved an individual remuneration for the non-independent non-executive directors amounting to EUR 1,800/ month (gross amount, RON equivalent) and for the independent non-executive directors amounting to EUR 3,600/ month (gross amount, RON equivalent) including 19.9% for the contributions' transfer.

Also, the Ordinary General Shareholders Meeting approved the general limit for the directors' and members' of the Executive Committee remunerations, including additional remunerations, for 2021, to amount to RON 20 million, gross amount (tax transfer compensation is included). The limit is the same as for 2020.

## 4. CORPORATE AND SOCIAL RESPONSIBILITY

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2021 was another year marked by the crisis generated by the COVID 19 pandemic, which greatly influenced BRD's strategy of involvement in society. The bank continued to support the pillars that from our perspective are important for the future of society: culture, education & science and technology, volunteering & solidarity, sports and the environment.

Through our messages and actions, we wanted to give a positive message that economic, cultural and social activities can restart in compliance with health rules or can be reinvented to stay in touch with the public. During this period, almost all cultural, educational, technological or volunteer programs remained in our program and took place both offline and online.

For BRD, culture, education and technology are essential for building a sustainable future, but also for facilitating the access of young generations to complementary resources, through which they can develop. Therefore, BRD continuously supports education and technology, culture and volunteering, for the benefit of the communities where it operates. As a result of all the actions implemented over time by BRD in these areas, the organization has become a significant contributor to the promotion of culture, young generation, to reducing educational disparities and illiteracy and to the protection of the environment.

To maximize the effects of its involvement in social responsibility projects, the Bank will continue to focus on supporting projects in the following areas: culture, sports, social, education and environment. Additionally, BRD encourages the involvement of its employees in volunteering projects with beneficial effects within the local community. Therefore, it will support, with priority, projects that allow the participation of the Bank's staff.

### **Building together the future for Romanian society**

Whether sharing team spirit and the values of sport and fair play, supporting the young generation in contemporary art and classical music, or working for a truly educated and inclusive society, our commitments are always held over the long term. They illustrate our confidence in a united and sustainable future.

### **CULTURAL PATRONAGE**

In 2021, BRD continued to invest in supporting contemporary culture and young creators. The cultural sector was still affected by the closure of theaters, museums and cultural spaces.

**Fundația9** which works with more than 300 visual artists, curators, musicians, journalists each year, to produce and promote the new Romanian culture, continued its programs - **Scena9**, the online and printed cultural journalism platform and **BRD Scena Residence** - the cultural center in Bucharest dedicated to the new generations of creators. Together, the Foundation's programs have reached over 1 million consumers, especially young people, and over 100 cultural events, contemporary art exhibitions, debates, children's workshops, film and music evenings.

Classical music continued in 2021, BRD partners managing to schedule all planned concerts, even in special conditions. We had over 60 music concerts in all regions of the country, the most important partnerships being Sonoro Conac, Sonoro Musikland, Violoncellissimo, TAM TAM Festival, Stradivarius Tour or Euphonia.

### **SPORT**

BRD Group Société Générale has been, for seven years, the official partner of the Romanian Handball Federation, the sponsor of the Romanian national handball teams. In this capacity, BRD is next to Romanian handball, a proud supporter of all the performances obtained during this period.

The Bank also encourages people with disabilities to play sports by supporting handball and tennis competitions.

## **TECHNOLOGY & INNOVATION**

In the field of technology and innovation, BRD supports the training of key players (new generation of tech creators – students, teachers, entrepreneurs, NGOs) for a digital society. The projects that BRD developed are focusing on education in STEM disciplines, R&D in AI and machine learning and tech entrepreneurship: BRD First Tech Challenge Romania (5<sup>th</sup> edition) involving 3,000 students and 800 teachers involved in 80 cities, robotics laboratories within the Polytechnic University of Bucharest (supported by BRD since 2016), Innovation Labs – accelerator for tech start-up (5<sup>th</sup> year of partnership), partnership with Applied Data Science Center (3<sup>rd</sup> year of partnership). In 2021, these programs took place mainly online, bringing together important actors: pupils, students, teachers, young entrepreneurs, experts, and impacted over 50,000 beneficiaries.

MINDCRAFT Stories our media platform for the public passionate about technology and science had over 450,000 visitors in 2021. We open conversations about technological discoveries, inventions, paying particular attention to the Romanian scientific landscape, COVID Reports, scientific discoveries related to the pandemic, environment and biodiversity.

## **MODERN EDUCATION & INCLUSION**

In Romania, 42% of kids aged 15 are functional illiterates. An OECD study shows that this situation has a huge impact on Romania's GDP. An impactful solution needs to address this issue for the teacher's perspective and provide instruments, training and constant support so they work with every child to overcome the gaps. A solution is Alfabetar, a digital platform with more than 10 NGOs participating, with resources for teachers, developed by Asociația pentru valori în Educație, an NGO working to transform education in Romania.

Together we launched the platform in 2021 and in few months, 100 schools were involved in a "deep dive" literacy on-boarding program, working directly with literacy experts hundreds of resources were refined / produced (after being tested in classroom) by teachers. Other results: 30,000 pupils were tested in order to determine literacy gaps and 650 supported to close significant education gaps, 10 schools have reading corners and ~900 books were delivered to teachers and schools for reading corners set up.

Another platform, this time covering a different priority area, education, is Școala9, launched by BRD in 2018 and having over 1.5 million readers. The publication is an approach to support the modernization of pre-university education. It has become, in a short time, a space that brings together ideas and launches a challenge to dialogue to all actors - teachers, parents, students, decision makers (institutions), education specialists - regarding the direction in which the Romanian education is heading.

BRD has an ongoing editorial partnership with the Ringier group, which led to an increase in the number of readers, with over 1,400,000 unique users on the platform.

## **SOLIDARITY&VOLUNTEERING**

Ziua V, BRD internal volunteering program stimulates the involvement of our colleagues in volunteering projects that generate change in local communities. Even more, the Bank facilitates their involvement and allocates 1 day/ year/ employee for volunteering actions. Launched in 2018, the program is based on a special online platform where 2,550 employees registered to access volunteering opportunities in different areas and intervention domains.

In 2021, more than 1,250 BRD employees participated to 16 volunteering programs and 806 new employees were registered on the platform. Our colleagues were involved in programs such as: mentorship in benefit of children in foster care system, charity races, blood donation campaigns, money donations to support single moms, poor families and programs for children in hospital, Christmas gifts for children in disadvantaged communities.

## ENVIRONMENT AND BIODIVERSITY

The forests in Romania and the biodiversity are an important cause for us. In 2021, through BRD Forests Fund we were involved in a program monitoring and protecting a valuable forest in the Sibiu area, together with the WWF Romania Foundation and a reforestation project in Deleni (Iasi County), on an area of 60 hectares. The latter project is a joint venture with several entities in the Société Générale Group in France and Romania. The program carried out by the French company EcoTree involves the restoration of the soil, forest lakes and the reforestation. 40 000 trees were planted by local people. The project is important precisely because of the multiple effects it has on the environment, people and the local economy.

### Direct environmental impact

As one of the biggest Romanian players from the financial sector, the BRD Group is well aware of the direct impacts on the environment deriving from its activities. Even if, in general, the banking activities are not classified as harmful for the environment, in order to comply with the ambitious environmental objectives established at the SG Group level, the BRD Group seriously manages all the relevant aspects (such as: energy consumption, GHG emissions, water consumption, waste generation, etc.) that can contribute to reduce its negative impacts on the environment.

Being present at the national level with almost 500 agencies, the most important direct impacts on the environment derive from the operational activities that are essential for the functioning of all the services the Bank is offering to its clients.

	UM	2018/2019	2019/2020	2020/2021
Buildings	No	680	617	576
Occupants	No	7,488	5,807	5,106
Surface	m <sup>2</sup>	263,156	257,343	240,611

The reported data refers to the period October – September

Thus, at the Group level it is implemented a system that allows the constant monitoring of specific environmental key performance indicators established for the relevant environmental aspects: energy, emissions, water, wastes, transport and management of buildings. This mechanism, aligned with the SG Group, allows to measure the effectiveness of the programs implemented to reduce the BRD Group's environmental footprint.

In order to improve the energy efficiency performance at the Group level and reduce by 50% the carbon footprint until 2030, it is started a process to update the energy management system and certify an energy manager that will be responsible of the regional team and for the identification and implementation of the specific projects.

Starting with 2012, the Bank is implementing at the Bucharest headquarter, an energy efficiency program that consists in optimizing the LED lighting system. Until now, by implementing this project, at Bank's level we were able to obtain an annual energy saving of 686,620 kWh. Also, between 2019 and 2020, at the Bucharest headquarter it was implemented a project to modernize the cooling production system by replacing two chiller units with other units that are able to ensure a much better seasonal efficiency. The two new units are equipped with the free cooling module that ensures minimum costs for cooling in the cold period of the year. Furthermore, primary and secondary heat pumps and heat exchanger were replaced. The old pumps were preplaced with pumps equipped with frequency converters. By implementing this project, we have obtained an annual energy saving of 1,200,000 kWh.

Energy Consumption <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
Total fuel consumption within the organization from non-renewable sources <sup>2</sup>	KWh	590,971	605,756	533,557
Total electricity consumption <sup>3</sup>	KWh	29,745,579	28,111,612	26,027,438
Total heating consumption <sup>4</sup>	KWh	23,362,909	22,833,795	25,393,051
Total steam consumption <sup>5</sup>	KWh	2,963,749	2,472,647	2,627,524
<b>Total energy consumption within the organization</b>	<b>KWh</b>	<b>56,663,208</b>	<b>54,023,810</b>	<b>54,581,570</b>

<sup>1</sup> The reported data refers to the period October – September

<sup>2</sup> Diesel for CT and GE.

<sup>3</sup> Include total cooling consumption

<sup>4</sup> Gas

<sup>5</sup> District heating

Energy Intensity	UM	2018/2019	2019/2020	2020/2021
Energy intensity ratio	KWh /effective occupant	7,567	9,303	10,690
	KWh /m <sup>2</sup>	215	210	227

<sup>1</sup> The data regarding the energy intensity ratio are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

In addition to the projects presented above, in all the projects regarding branches modernization, energy efficiency and carbon footprint reduction represent a very important component.

GHG emissions Scope 1 <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
Total GHG Emissions Scope 1	tCO <sub>2</sub>	5,905	5,391	5,941
<i>out of which CO2 emissions related to fuel oil consumption (excluding cars)</i>	tCO <sub>2</sub>	191	196	173
<i>out of which CO2 Emissions from gas consumption</i>	tCO <sub>2</sub>	5,701	5,183	5,764
Total CO2 emissions due to fluorinated gases	tCO <sub>2</sub>	13	11	4
	Freon R 407C	Freon R 407C	Freon R 407C	Freon R 407C

<sup>1</sup>The reported data refers to the period October – September. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

<b>GHG emissions Scope 2<sup>1</sup></b>	<b>UM</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
Total GHG Emissions Scope 2	tCO <sub>2</sub>	11,249	10,243	9,892
<i>out of which CO2 emissions due to electricity consumption</i>	tCO <sub>2</sub>	10,230	9,415	8,985
<i>out of which CO2 emissions due to externally produced iced water consumption</i>	tCO <sub>2</sub>	NA	NA	NA
<i>out of which CO2 emissions due to consumption of externally produced steam or superheated water</i>	tCO <sub>2</sub>	1019	828	907

<sup>1</sup>The reported data refers to the period October – September. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

<b>GHG emissions Scope 3<sup>1</sup></b>	<b>UM</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>Total GHG emissions scope 3</b>	tCO <sub>2</sub>	2,917	1,988	3,422
<i>out of which CO2 emissions due office paper consumption</i>	tCO <sub>2</sub>	1,113	638	736
<i>out of which CO2 emissions due to business trips by train</i>	tCO <sub>2</sub>	2	2	0
<i>out of which CO2 emissions due to business trips by plane</i>	tCO <sub>2</sub>	347	96	4
<i>out of which CO2 emissions due to business travel by car</i>	tCO <sub>2</sub>	1,099	962	1,259
<i>out of which CO2 emissions due to goods transport</i>	tCO <sub>2</sub>	2	2	1.205
<i>out of which CO2 emissions related to non-office paper consumption</i>	tCO <sub>2</sub>	190	141	143
<i>out of which CO2 emissions related to electricity consumption of data centers hosted</i>	tCO <sub>2</sub>	NA	NA	NA

<sup>1</sup>The reported data refers to the period October – September. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

<b>GHG emissions intensity<sup>1</sup></b>	<b>UM</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
GHG emissions intensity ratio	tCO <sub>2</sub> /pers	2.68	3.03	3.77

<sup>1</sup>The reported data refers to the period October – September. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic. In the calculation of this indicator the following types of emissions were considered: GHG emissions Scope 1, GHG emissions Scope 2 and GHG emissions Scope 3.

The BRD Group is also committed to optimize the fuel consumption of its fleet by reducing car travels and by introducing in our fleet electric cars. Also in 2021, the Bank applied for eco-vouchers within the “Program

on reducing greenhouse gas emissions in transport, by promoting clean and energy efficient road transport vehicles 2020-2024". During 2021, the project that facilitates the automation of roadmaps in the management of the BRD fleet continued to be implemented.

Another important element that is carefully considered by the BRD Group in reducing its environmental impact is the management of the material resources necessary to carry out its day-by-day activities. The paper consumption is closely monitored and specific projects are implemented in order to reduce it.

Materials used by weight or volume	UM	2018/2019	2019/2020	2020/2021
Quantity of office paper (classic and recycled paper) bought <sup>1</sup>	Kg	542,730	311,244	358,995
Total quantity of paper used	Kg	636,488	380,661	429,289
Quantity of paper used for customer statements of account and quantity of personalized envelopes	kg	8,906	9,190	12,726
Quantity of paper used for business documents, including letterhead and personalized envelopes	Kg	82,145	59,231	56,535
Quantity of unmarked envelopes	Kg	1,566	280	294
Quantity of chequebooks and cheque deposit slips produced	Kg	1,141	716	739

<sup>1</sup> The whole quantity of office paper bought is eco-labelled.

For this reason, at the Group level has started the project that promotes the electronic signing of documents and the implementation of an electronic archiving project. The digitalization of all the document process will help us improve the BRD Group sustainability performance with a direct impact also in reducing its indirect emissions deriving from the courier services. Of course, the Group is well aware that while growing digitalization needs within all the companies, a bigger demand of energy will exist. For this reason, the project "Green IT" is under implementation.

In all the companies within the BRD Group is implemented the selective collection of waste and, at the Bucharest headquarter, a household waste compactor is in place. The entire generated quantity of WEEE cardboard and paper waste is diverted from disposal.

Waste generated <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
<b>Total waste generated</b>	<b>Kg</b>	<b>447,990</b>	<b>401,590</b>	<b>212,360</b>
<i>out of which WEEE Waste</i>	Kg	10,510	12,680	5,160
<i>out of which Cardboard</i>	Kg	6,900	8,600	8,000
<i>out of which Paper</i>	Kg	16,150	18,730	14,000
<i>out of which other types of waste (miscellaneous)</i>	Kg	414,430	361,580	185,200

<sup>1</sup>The reported data refers to the period October – September. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

Waste diverted from disposal <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
<b>Total non-hazardous waste diverted from disposal</b>	<b>Kg</b>	33,560	40,010	27,160
<i>out of which WEEE Waste</i>	Kg	10,510	12,680	5,160
<i>out of which Cardboard</i>	Kg	6,900	8,600	8,000
<i>out of which Paper</i>	Kg	16,150	18,730	14,000

<sup>1</sup>The reported data refers to the period October – September. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

Waste directed to disposal <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
<b>Total non-hazardous waste directed to disposal</b>	<b>Kg</b>	<b>414,430</b>	<b>361,580</b>	<b>185,200</b>
<i>out of which other types of waste (miscellaneous)</i>	Kg	414,430	361,580	185,200

<sup>1</sup>The reported data refers to the period October – September.. The data regarding the waste generated are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert determined by the COVID pandemic.

	UM	2018/2019	2019/2020	2020/2021
Water Consumption <sup>1</sup>	m <sup>3</sup>	65,761	54,995	48,079

<sup>1</sup> The reported data refers to the period October – September. The data regarding the water consumption are less relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

BRD has implemented a program for collecting and recycling waste from electrical and electronic equipment, in partnership with the associations Recolamp and Ateliere fara Frontiere (AFF). In 2021, BRD handed over 80 kg of light bulbs free of charge to Recolamp and 5.2 tons of electrical and electronic waste to the Ateliere fara Frontiere Association and other WEEE waste collector. Paper waste is also subject to collection and recycling in BRD (22 tons of recycled paper and cardboard in 2021, an increase of 30% compared to 2019). Another project implemented was the installation of a waste compactor in the BRD headquarter in September 2021 which reduces the volume of miscellaneous waste by 40%.

## 5. GROUP ACTIVITY AND RESULTS

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### **ECONOMIC AND BANKING ENVIRONMENT IN 2021**

Romanian economy showed a strong rebound in 2021 fostered by better business conditions and sentiment. Still, a slowdown was seen in Q4 2021 when GDP decreased by 0.5% quarter-on-quarter (seasonally adjusted), while the annual growth came below expectations to +5.6% YoY, according to official flash estimates. The latest GDP breakdown on components available for Q3 2021 showed that domestic demand has been once again the main contributor to the economic expansion (+5.1 ppts contribution to GDP growth), on the back of a strong household demand (+5.6 ppts), while the gross fixed capital formation contribution turned slightly negative (-0.5 ppts). Net exports kept their negative contribution to growth (-1.0 ppts) given higher volume of imports versus exports.

On a medium to longer run, the approval of National Recovery and Resilience Plan in September 2021 by European Commission with the first tranche of grants (EUR 1.8 bn) already disbursed in December 2021 should be a catalyst for boosting further growth of the economy. Additional pre-financing (EUR 1.9 bn) was granted in January 2022, after the targets and milestones for Q4 2021 were reached.

Annual inflation rate printed at 8.2% in December 2021, reaching a decade high and being far from the upper bound of the NBR target range (2.5%  $\pm$  1 ppt). Structurally wise, December 2021 inflation equation is: slightly more than one fourth coming from electricity & natural gas prices (7.7% share in basket combined, +29.1% YoY), approximately one fourth coming from fuel prices (8.8% share, +22.5% YoY), approximately one third from CORE2 adjusted measure which depicts underlying inflation trends (62% share, +4.7% YoY), while the remaining part being accounted for by volatile food prices, administered prices and tobacco & alcohol.

To support the economy in the context of unfolding COVID-19 epidemic, the central bank reduced the monetary policy rate four times since March 2020, by 125 bps in total, to 1.25%, last cut being done in January 2021. Amid the prospect of larger and lengthier inflation pressures from global cost shocks, NBR decided to go for two monetary policy rate hikes in Q4 2021, by 50 bps overall. Two additional increases in monetary policy rate by 75 bps in total occurred in the first two months of 2022, driving key rate to 2.50%.

At the beginning of COVID 19 epidemic, NBR announced an unprecedented measure of purchasing RON denominated government bonds and stated that it shall provide necessary liquidity to financial institutions through repo operations. The quantitative easing was gradually reduced after peaking in April 2020, to a low level of purchases of RON 247 million in March - April 2021. No more acquisitions were done until 2021 end, signalling a recovery in the markets and a lower need for liquidity. NBR also reduced the level of repo operations (throughout 2021, monthly peak was registered in December with a daily average of RON 4.5 bn, still much lower compared to RON 13.6 bn in April 2020).

To address the economic effects of the pandemic, the relief package to support the economy was extended in 2021. The main measures refer to moratorium supporting the debtors, state guaranteed lending programs and indemnity for technical unemployment.

As regards the banking activity, gross loans' outstanding annual growth pace gradually recovered from the bottom reached in mid-summer 2020, peaking at +17.7%\* YoY as of December 2021 end, driven by both 1) individuals' gross loans' increase (+9.4%\*) built on housing (+12.5%\*), while consumer loans' (+4.8%\*) consolidated the upward trend after growth' restart in April 2021; and 2) lending to companies, +26.2%\*, with a significant uplift in growth starting August 2020. The strong savings' propensity triggered by the prolonged pandemic kept deposits growth pace in a double digit area throughout 2021, posting +13.1%\* YoY as of December 2021 end.

The ratio of non-performing loans for the banking system (according to European Banking Authority definition) has maintained its yearly decreasing trend, reaching 3.35% at December 2021 end compared to 3.83% at December 2020 end, standing at the lower end of the EBA defined medium risk bucket [3-8%].

The Romanian banking system is well capitalized, as reflected by the capital adequacy ratio of 22.3% as of December 2021 end (25.1% as of December 2020 end). As regards liquidity, the banking system has also a strong position, with a Liquidity Coverage Ratio of 239% as of December 2021 end (266% as of December 2020 end).

*(\*) Variation at constant exchange rate*

## **COMMERCIAL ACTIVITY**

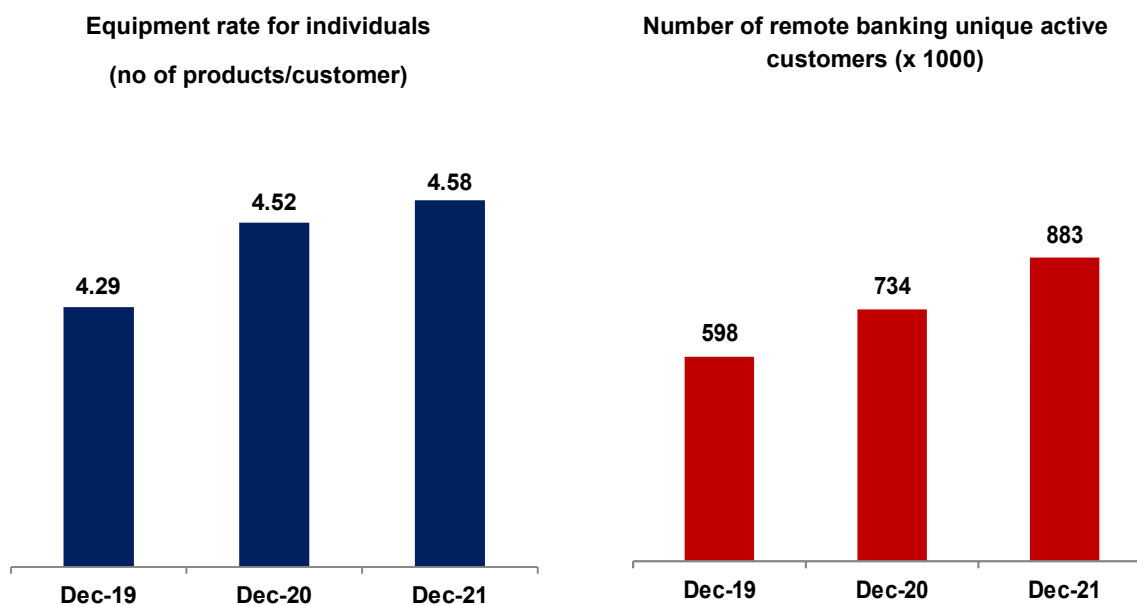
As at December 31, 2021, the Bank had 499 branches (31.12.2020: 584 branches), ensuring the distribution of its products and services throughout the whole country.

The equipment rate for individuals rose on intensified commercial relationships. It reached 4.58 at December 31, 2021 compared to 4.52 at December 31, 2020.

Digital adoption is rapidly growing. The number of digitally active private individual customers is up by 20% YoY and 48% vs 2019, and the number of transactions is 31% higher than in 2020.

Our new mobile application, YouBRD, has been constantly upgraded and enriched with new features for a simpler and enhanced experience. In addition, the digital offer to private individuals includes now two essential services: remote onboarding and online consumer lending.

Corporate digital experience was also further enhanced with enriched cash management and trade finance solutions.



BRD held a market share of 10.5% of total assets at December 31, 2021.

The structure of the customers' **net loans** at Group level evolved as follows:

RON bln	Dec-19	Dec-20	Dec-21	vs. Dec-20
<b>Retail</b>	<b>22.1</b>	<b>21.7</b>	<b>22.7</b>	<b>4.7%</b>
Individuals	21.5	21.1	22.0	4.4%
Small business	0.6	0.6	0.7	16.8%
<b>Non-retail</b>	<b>8.2</b>	<b>8.0</b>	<b>10.2</b>	<b>28.2%</b>
SMEs	2.2	2.6	3.4	27.7%
Large corporate	6.1	5.3	6.8	28.5%
<b>Total net loans</b>	<b>30.3</b>	<b>29.6</b>	<b>32.9</b>	<b>11.0%</b>
Financial lease receivables	1.0	1.1	1.2	14.6%
<b>Total net loans, including leasing</b>	<b>31.3</b>	<b>30.7</b>	<b>34.1</b>	<b>11.2%</b>

Net loans' outstanding (including leasing) reached RON 34.1 billion, increasing by 11.2% versus December 31, 2020, reflecting the intense lending activity across the board.

Loan production for individuals had a remarkable recovery versus last year (+38% YoY), while also registering a 17% increase versus 2019, notably on housing loans (+43% YoY). 2021 marked also the best yearly consumer loans production ever.

Corporate lending (+28.2% compared to 2020) built on very strong dynamics on both SME (+27.7% YoY) and large corporate segments (+28.5% YoY). BRD continued its active participation in IMM Invest Program, with RON 1.3 bn approved loans, out of which 30% within Agro IMM Invest sub-program. Leasing activity posted again a solid performance with overall portfolio increasing by +14.6% YoY.

The customers' **deposits** structure at Group level evolved as follows:

RON bln	Dec-19	Dec-20	Dec-21	vs. Dec-20
<b>Retail</b>	<b>30.3</b>	<b>33.7</b>	<b>36.0</b>	<b>6.8%</b>
Individuals	25.7	28.3	29.6	4.4%
Small business	4.7	5.4	6.4	19.3%
<b>Non-retail</b>	<b>15.5</b>	<b>16.2</b>	<b>16.7</b>	<b>2.7%</b>
SMEs	6.5	7.9	8.6	7.9%
Large corporate	9.1	8.3	8.1	-2.2%
<b>Total deposits</b>	<b>45.9</b>	<b>50.0</b>	<b>52.7</b>	<b>5.5%</b>

The sustained growth of deposit base continued in 2021 (+5.5% YoY), driven mainly by retail deposits (+6.8% YoY). The non-retail deposits increased by +2.7% YoY, with SMEs deposits being up +7.9% YoY.

For the evolution of the main components of the net banking income please refer to "Financial results" section.

## **SUBSIDIARIES' ACTIVITY**

### **BRD SOGELEASE IFN SA**

As of December 31, 2021, net outstanding of leasing financing granted by BRD Sogelease increased by 14.3% year-on-year to RON 1,233.8 million. New leasing production increased to RON 815.4 million in 2021, +49% YoY. The recovery of the economic activity in 2021 generated a solid demand for leasing product, with BRD Sogelease financing SME's and large corporates active in sectors as logistics and transportation, agriculture, construction, manufacturing and healthcare. The dynamic activity of BRD Sogelease reconfirmed the position of its financial leasing as a simple, accessible financing offered by BRD Group for SME companies in Romania.

### **BRD FINANCE IFN SA**

The net loan portfolio decreased to RON 528 million from RON 606 million, with the new loan production being 9.7% lower mainly due to auto segment, which is affected by the delays in the components delivery registered globally, impacting the new cars delivery and indirectly the auto loans. Net banking income reached RON 89 million, a decrease of 11% compared with 2020.

### **BRD ASSET MANAGEMENT SA**

BRD Asset Management is one of the most important actors on the Romanian UCITS market, with a market share of 19.5%\* at the end of December 2021 and RON 4.9 billion assets under management. BRD Asset Management now offers investment solutions to nearly 120 thousand clients across its 8 investment funds. BRD Asset Management is the 3<sup>rd</sup> largest asset manager in Romania in terms of assets under management in open ended funds, and first in terms of number of investors. In October 2021, BRD Asset Management launched a new investment fund class, BRD Global USD with an investment strategy suitable for long term investments and access to a diversified global market portfolio.

*\* market share computation based on total open-end funds assets under management*

## **FINANCIAL POSITION ANALYSIS**

The below financial position analysis is made based on the separate and consolidated financial statements prepared according to the International Financial Reporting Standards, for the period ended December 31, 2021 and the comparative periods.

### **FINANCIAL POSITION – ASSETS**

Total assets at December 31, 2021 increased by 8.7% both for the Bank and the Group versus 2020 end.

The asset structure is presented below:

#### **THE GROUP**

<b>Assets (RONm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>% total</b>	<b>vs. Dec-20</b>
Cash and current accounts with Central Bank	6,843	7,113	6,206	9.0%	-12.8%
Loans and advances to credit institutions	3,410	5,517	4,538	6.6%	-17.7%
Net loans and advances to customers	30,293	29,643	32,914	47.7%	11.0%
Financial lease receivables	993	1,067	1,223	1.8%	14.6%
Other financial instruments	14,396	18,528	22,253	32.2%	20.1%
Tangible and intangible assets	1,447	1,381	1,460	2.1%	5.7%
Other assets	390	308	470	0.7%	52.5%
<b>Total assets</b>	<b>57,771</b>	<b>63,558</b>	<b>69,063</b>	<b>100.0%</b>	<b>8.7%</b>

#### **THE BANK**

<b>Assets (RONm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>% total</b>	<b>vs. Dec-20</b>
Cash and current accounts with Central Bank	6,843	7,113	6,206	9.3%	-12.8%
Loans and advances to credit institutions	3,392	5,500	4,521	6.7%	-17.8%
Net loans and advances to customers	29,467	28,873	32,184	48.0%	11.5%
Other financial instruments	14,424	18,561	22,305	33.3%	20.2%
Tangible and intangible assets	1,425	1,365	1,437	2.1%	5.3%
Other assets	304	223	362	0.5%	62.5%
<b>Total assets</b>	<b>55,853</b>	<b>61,635</b>	<b>67,015</b>	<b>100.0%</b>	<b>8.7%</b>

### **LOANS AND ADVANCES TO CUSTOMERS**

The net loans' outstanding amount to customers increased consistently year-on-year (around 11% both for Bank and the Group) reflecting the excellent commercial performance translated in an intense lending activity across the board.

### **CASH, CURRENT ACCOUNTS WITH THE CENTRAL BANK AND LOANS AND ADVANCES TO CREDIT INSTITUTIONS**

Cash and current accounts with the Central Bank and loans and advances to credit institutions decreased by -14.9% versus December 2020 end, for both the Bank and the Group, mainly driven by lower amounts due from banks and amounts with Central Bank, on increased loans' volume and investments in government bonds. These items represented approximately 16% of total assets for the Group and the Bank.

The minimum compulsory reserve held with the National Bank of Romania accounted for 34% of this aggregate at December 31, 2021 (28% at December 2020 end), at Group level, and amounted to RON 3,658 million, an increase of 6.5% versus December 2020 end, mainly linked to increasing customers deposits. RON and FX minimum reserve requirements for liabilities with residual maturity of less than 2 years remained at the same level through 2021 as compared to Dec 2020 end (8% for RON, unchanged from May 2015 and at 5% for FX, unchanged from November 2020).

## **OTHER FINANCIAL INSTRUMENTS**

Other financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss, derivatives and other financial instruments held for trading, investments in associates and subsidiaries as well as non-current assets held for sale.

These items amounted to RON 22.3 billion at December 2021 end and represented 33% of Group assets. They rose by +20% compared to December 2020 end, mainly driven by the increase in government bonds portfolio.

## **TANGIBLE AND INTANGIBLE ASSETS**

The tangible and intangible assets accounted for approximately 2.1% of the total assets with land and buildings representing the largest part of the item.

The total value of investments (additions of property, plant and equipment, investment properties, and intangible assets) during 2021 was RON 211 million for the Bank and RON 213 million for the Group, compared to RON 195 million for the Bank and RON 197 million for the Group in 2020. There is no capitalized research and development expenditure.

## FINANCIAL POSITION – LIABILITIES

The comparative statement of liabilities is as follows:

### THE GROUP

Liabilities and shareholders equity (RONm)	Dec-19	Dec-20	Dec-21	% total	vs. Dec-20
Amounts owed to credit institutions	2,118	1,941	4,708	6.8%	142.5%
Amounts owed to customers	45,899	49,958	52,684	76.3%	5.5%
Other liabilities	1,570	1,887	1,793	2.6%	-5.0%
Shareholders equity	8,184	9,772	9,879	14.3%	1.1%
<b>Total liabilities and shareholders equity</b>	<b>57,771</b>	<b>63,558</b>	<b>69,063</b>	<b>100.0%</b>	<b>8.7%</b>

### THE BANK

Liabilities and shareholders equity (RONm)	Dec-19	Dec-20	Dec-21	% total	vs. Dec-20
Amounts owed to credit institutions	431	206	2,882	4.3%	1400.7%
Amounts owed to customers	46,040	50,152	52,918	79.0%	5.5%
Other liabilities	1,487	1,805	1,676	2.5%	-7.1%
Shareholders equity	7,895	9,472	9,539	14.2%	0.7%
<b>Total liabilities and shareholders equity</b>	<b>55,853</b>	<b>61,635</b>	<b>67,015</b>	<b>100.0%</b>	<b>8.7%</b>

### AMOUNTS OWED TO CUSTOMERS

The Group, as well as the Bank, further consolidated and diversified its already solid saving base. Amounts owed to customers increased by 5.5% on an annual basis both for the Group and the Bank, and accounted for 76% of the total liabilities and shareholders' equity at Group level and for 79% at Bank level. The increase was both on retail and non-retail segments, driven by larger inflows in individuals' savings and SMEs deposits.

### AMOUNTS OWED TO THE CREDIT INSTITUTIONS

Amounts owed to credit institutions represent interbank deposits, borrowings from International Financial Institutions and the parent, and stood at 6.8% of the total liabilities and shareholders' equity for the Group and 4.3% for the Bank at December 31, 2021.

BRD Group's borrowings from Société Générale totalled RON 4.2 billion (7.1% of liabilities). Among these, are included a senior non-preferred loan in amount of EUR 450 million, RON equivalent of 2,227 million with a tenor of three years and a subordinated debt in amount of EUR 100 million, RON equivalent 495 million, with a tenor of 10 years, both received in December 2021. Both loans have call options (one year for SNP and 5 years for the subordinated loan).

## SHAREHOLDERS' EQUITY

Shareholders' equity increased by 1.1% for the Group and 0.7% for the Bank compared to December 31, 2020, mainly on higher retained earnings, including 2021 profit.

The structure of the shareholders' equity evolved as follows:

### THE GROUP

Shareholders' equity (RONm)	Dec-19	Dec-20	Dec-21	vs. Dec-20
Share capital	2,516	2,516	2,516	0.0%
Other reserves	179	804	(385)	n.a.
Retained earnings and capital reserves	5,441	6,404	7,691	20.1%
Non-controlling interest	48	48	58	19.0%
<b>Total shareholders' equity</b>	<b>8,184</b>	<b>9,772</b>	<b>9,879</b>	<b>1.1%</b>

### THE BANK

Shareholders' equity (RONm)	Dec-19	Dec-20	Dec-21	vs. Dec-20
Share capital	2,516	2,516	2,516	0.0%
Other reserves	179	804	(385)	n.a.
Retained earnings and capital reserves	5,201	6,152	7,409	20.4%
<b>Total shareholders' equity</b>	<b>7,895</b>	<b>9,472</b>	<b>9,539</b>	<b>0.7%</b>

## LIQUIDITY POSITION

Both the Bank and the Group maintained a balanced structure of resources and placements and a comfortable liquidity level over the analysed period.

The net loan to deposit ratio increased to 60.8% at December 31, 2021 versus 57.6% at December 31, 2020 for the Bank, and to 64.8% at December 31, 2021 versus 61.5% at December 31, 2020 for the Group (loans at Group level include financial leasing receivables). The evolution was mainly driven by the intense lending activity.

## 2021 FINANCIAL RESULTS

The comparative income statement of the Group for the period 2019 - 2021 is presented below:

RONm	2019	2020	2021	Variation
<b>Net banking income</b>	<b>3,270</b>	<b>3,088</b>	<b>3,118</b>	<b>1.0%</b>
- net interest income	2,150	2,087	2,084	-0.1%
- net commissions	806	711	765	7.5%
- other banking income	314	290	269	-7.2%
<b>Operating expenses</b>	<b>(1,678)</b>	<b>(1,588)</b>	<b>(1,618)</b>	<b>1.9%</b>
- staff expenses	(826)	(834)	(829)	-0.6%
- non-staff expenses	(851)	(754)	(789)	4.6%
<b>Operating profit</b>	<b>1,592</b>	<b>1,500</b>	<b>1,500</b>	<b>0.0%</b>
Net cost of risk	204	(353)	146	n.a.
Gross result	1,796	1,147	1,646	43.4%
<b>Net result</b>	<b>1,499</b>	<b>963</b>	<b>1,319</b>	<b>37.0%</b>
Profit attributable to equity holders of the parent	1,492	962	1,310	36.1%

The comparative income statement of the Bank for the period 2019 - 2021 is presented below:

RONm	2019	2020	2021	Variation
<b>Net banking income</b>	<b>3,170</b>	<b>2,927</b>	<b>2,950</b>	<b>0.8%</b>
- net interest income	2,024	1,957	1,953	-0.2%
- net commissions	767	674	727	7.8%
- other banking income	379	296	271	-8.4%
<b>Operating expenses</b>	<b>(1,580)</b>	<b>(1,481)</b>	<b>(1,515)</b>	<b>2.2%</b>
- staff expenses	(770)	(779)	(765)	-1.8%
- non-staff expenses	(810)	(702)	(749)	6.7%
<b>Operating profit</b>	<b>1,590</b>	<b>1,445</b>	<b>1,436</b>	<b>-0.6%</b>
Net cost of risk	224	(313)	159	n.a.
Gross result	1,814	1,132	1,595	40.9%
<b>Net result</b>	<b>1,529</b>	<b>952</b>	<b>1,279</b>	<b>34.4%</b>

BRD Group 2021 net banking income reached RON 3,118 million, higher with 1.0% compared to 2020. Net interest income remained stable, underpinned by growing volumes, compensating the effect of lower market rates during most of 2021 (average ROBOR 3M at 1.82% in 2021 vs 2.38% in 2020). Customer activity intensified on a yearly basis, translating into a solid growth of net fee and commission income, +7.5% year on year.

Operating expenses were overall contained, with a +1.9% increase compared to 2020. Efficiency initiatives (automations, network of branches resizing) were accelerated and translated in lower staff costs. Other costs evolution (+4% year on year, excluding the cumulated contribution to deposit guarantee and resolution funds) notably mirrors the stepping up investments in digital transformation.

Gross operating income remained consequently stable at RON 1,500 million. Cost/income ratio reached 51.9% (vs. 51.4% in 2020).

The quality of the loan book was confirmed throughout 2021 as shown by the low NPL ratio (3.1% at December 2021 end, at Bank level) and the high coverage with provisions of non performing exposures (75% at December 2021 end, at Bank level). Risk costs registered a net release of RON 146 million compared to RON 353 million provision charge in 2020, given an improved macroeconomic context and a dynamic recovery activity.

Given all the above, BRD Group registered a high level of profitability, with net profit up by 37% compared to 2020 (RON 1,319 million in 2021 versus RON 963 million in 2020). Return on equity was 13.4% in 2021 (vs.10.7% in 2020). With the equity adjusted of the exceptional distribution from the retained profits of 2019 and 2020, return on equity stands at 15.6%. Return on assets reached 2.0% in 2021 (vs. 1.6% in 2020).

The Bank recorded similar trends, with a net result of RON 1,279 million versus RON 952 million in 2020.

Neither Bank's, nor the Group's revenues depend on a single or group of connected customers; hence there is no risk that the loss of a customer might significantly affect the income level.

**Subsequent events** identified after the reporting date:

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals. Considering the geopolitical tensions, since February 2022, there has been an increase volatility in financial markets including exchange rates. It is expected that these events affects the activities and supply chain in various sectors of the economy and could result in further increases in energy, commodities and food prices.

The Bank does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Bank regards these events as non-adjusting events taking place after the end of the current reporting period, the quantitative effect of which on future periods cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Bank is analysing the possible impact of changing micro- and macroeconomic conditions on the Bank's financial position and results of operations for future periods.

## **AWARDS RECEIVED IN 2021**

- "Best ROA, Best ROE" awarded by Piata Financiară
- "Best NPL dynamic" and "Bank of the Year in Risk Management" awarded by Piata Financiară
- "Best Trade Finance Provider in Romania" and "Best Treasury & Cash Management Bank in Romania" awarded by Global Finance
- "Best Sub-custodian Bank in Romania" awarded by Global Finance
- "Best Bond Fund" awarded by Piata Financiară for the BRD Obligatiuni mutual fund managed by BRD Asset Management
- "Best in Financial Leasing" awarded by Piata Financiară for BRD Sogelease

## 6. RISK MANAGEMENT

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Risk management within BRD is based on an integrated concept that takes into account the statutory and regulatory norms as defined and required by the NBR and European Supervisory Bodies, the risk management standards of Société Générale, together with the best practices accepted by the banking industry.

### RISK MANAGEMENT OBJECTIVES AND RISK APPETITE SETTING

Risks are managed within a continuous process of identification, assessment, monitoring, reporting and control, considering risk limits, approval authorities, segregation of duties and other risk mitigation techniques.

The main objectives of the Bank's risk management strategy are:

- To support the business development by ensuring that business objectives are pursued in a risk-controlled manner, with due consideration for the stated risk appetite
- To ensure the Bank's sustainability as a going concern, through the implementation of an efficient system for risks' analysis, measurement, monitoring, reporting and mitigation
- To encourage risks' diversification with the aim of keeping a balanced risk-return profile for all activities of BRD group entities
- To maintain adequate capital levels as per regulatory requirements and internal assessment
- To promote a Bank-wide strong risk awareness and risk management culture.

In order to identify all the risks (financial and non-financial) to which BRD is exposed and which are inherent to its activity, a comprehensive risk assessment exercise is performed on an annual basis. Therefore, the Bank's risk management strategy focuses on the following categories of risks identified as significant, any of which could adversely affect its business, results of operations and financial situation:

- Credit risk and associated risks
- Liquidity and funding risks
- Structural risks
- Market risk in trading book
- Operational risk
- Compliance risk
- Reputational risk
- Strategic risk
- Excessive usage of leverage effect risk

Based on the results of the risk assessment exercise and with due consideration for its strategic objectives, the Bank defines the risk appetite framework and the risk appetite statement.

The risk appetite represents the aggregate level and types of risk that BRD is willing to assume within its risk capacity, in line with its business model, to achieve its strategic objectives.

The risk appetite statement sets the Bank's approach towards taking on and managing risks and is structured along two dimensions: quantitative and respectively qualitative. At aggregate level, the risk appetite is defined by reference to the main strategic dimensions - *Profitability, Capital Adequacy, Creditworthiness, Liquidity and Leverage* - on the basis of the annual strategic planning, in order to ensure alignment of risk, capital and performance targets, which allows the Bank to:

- Set capital adequacy goals with respect to risk, considering strategic focus and business plans
- Assess risk-bearing capacity with regard to internal and external (regulatory) requirements
- Apply stress testing to assess the impact on the capital demand, capital base and liquidity position

The aggregate risk appetite is further cascaded down to material risk categories and where appropriate, to business segments. The qualitative statements are defined to complement the quantitative part of the risk appetite, setting the overall tone for BRD's approach to risk taking.

Key risk indicators and corresponding quantitative measures are defined by considering the risk profile, size and complexity of activities performed by the Bank. Their evolution is regularly monitored over the year in order to detect any events that may result in unfavorable developments on the risk profile.

## **RISK MANAGEMENT GOVERNANCE**

The Group's risk management governance is based on the following dimensions:

- Risks are taken within the defined risk appetite approved by the Board of Directors
- Strong involvement of the Bank's management body in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the Board of Directors down to operational teams
- Clearly defined internal rules and procedures
- Communication of information regarding risk management across the organization in a timely, accurate, comprehensible and meaningful manner
- Continuous supervision by an independent risk function to monitor risks and to enforce rules and procedures

Risk governance relies on the three lines of defense model, which ensures the identification of the functions within the Bank responsible to address and manage the risks, while reinforcing segregation of duties between various control functions.

The *first line* of defense is represented by the business units, which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its policies, procedures and controls. The Business Integrity Support Division provides support to business units for the implementation of managerial supervision, ensuring monitoring and reporting of results at Bank wide level.

The *second line* of defense is represented by the independent functions overseeing risks, which are responsible for further identifying, measuring, monitoring, and reporting risks, ensuring compliance with internal and external requirements and providing support to the business/operational functions in executing their duties. The second line functions, which perform the management of significant risks, are as follows:

- Risk Management Structures are responsible for direct management of credit risk, risks associated with credit risk, market risk and operational risk and oversee the evolution of all significant risks within BRD
- Finance Department, which manages liquidity and funding risks, structural risks (interest rate risk and FX risk in banking book), strategic risk and excessive usage of leverage effect risk. As coordinator of the budgeting and capital planning processes, it ensures that the liquidity, capital and business strategy are consistent with the risk appetite statement
- Legal Department, which is accountable for the legal risk management, while Business Solution Center Pole and Information Security Division manage IT risks (as components of operational risk)
- Compliance Department, which manages the compliance and reputational risks

Although the responsibility for the management of risks within the Bank is shared between the structures of the second line of defense (as mentioned above), Risk Management Structures perform the role of the centralized risk management function, by delivering the Bank's wide holistic view on all risks, ensuring that the risk strategy is complied with.

The *third line* of defense is represented by the internal audit function, which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework. The Internal Audit function reports to and operates under the mandate of the Board of Directors.

Risk management within BRD is governed by the management body, which is and assisted by specialized committees in accomplishing its risk management and control responsibilities.

### **Board of Directors**

The Board of Directors approves the risk and business strategy of BRD, sets the risk appetite and tolerance levels and ensures that the Executive Committee properly transposes them at operational level.

#### ***Audit Committee***

The Audit Committee plays a crucial role in the assessment of the quality of the internal control. It is responsible for examining the internal framework for risk monitoring to ensure its consistency and compliance with procedures, laws and regulations in force.

#### ***Risk Management Committee***

The Risk Management Committee advises the Board of Directors with regard to Bank's overall current and future risk appetite, oversees senior management's implementation of the risk strategy, reports on the state of risk culture in the Bank and interacts with and oversees the activity of the centralized risk management function.

#### ***Nomination Committee***

The Nomination Committee advises the Board of Directors regarding the selection, monitoring and succession of the members of the management body and the evaluation of the adequacy of key function holders.

#### ***Remuneration Committee***

The Remuneration Committee advises in elaborating and supervising the implementation of the Bank's remuneration policy.

### **Executive Committee**

The Board of Directors delegates the day to day management of BRD to the Executive Committee. The Executive Committee is responsible for the implementation of the strategies approved by the Board of Directors and ensures that a proper organization and informational flows are in place.

#### **Main specialized committees assisting the Executive Committee**

The *Assets and Liabilities Committee* has the main objective of ensuring the management of assets and liabilities structure, of liquidity and funding sources, structural risks (interest rate risk and foreign exchange risk in banking book) and of the Bank's capital base.

The *Crisis Committee* ensures the management of the crisis situations and defines the necessary resources and organization to face such situations.

The *New Products Committee*'s mission is to make sure that all the risks associated with the launch of new products, new activities or outsourced activities or their significant changes, are correctly identified, analyzed and assessed.

*The Internal Control Committee* has as main objective the assessment of the effectiveness of the internal control system and specific responsibilities for the analysis and monitoring of anti-corruption risks, as well as the risks associated with the requirements of the international sanctions regime.

*The Retail Risk Committee* has as main objective the analysis of the measures proposed by relevant structures in order to improve the performance of retail lending activity and the monitoring of the associated risk indicators.

*The Projects' Review Committee* supports the Executive Committee to follow-up the Bank's projects.

*The Data Governance Committee's* mission is to analyze the data governance activity, mainly concerning implementation of the data governance strategy and data quality.

*The Price Committee's* mission is to analyze and propose to the decision-making bodies of the Bank measures regarding the pricing policy and strategy (commissions, interest) of the Bank's products, taking into account budgetary objectives, competitive environment, the Bank's commercial strategy and market evolution

*The Compliance Committee* has as main objective the analysis of the activity regarding the compliance risk management, including the presentation of the deficiencies identified during compliance control activity.

*The Climate change, Environmental and Social Committee's* main mission is to carry out strategic CSR (Corporate Social Responsibility) analyses by relating to the Bank's objectives in order to present the measures for implementing the CSR strategy (including climate change and environmental topics).

## **MAIN RISK FACTORS**

### **Coronavirus pandemic (Covid-19) and challenging macroeconomic context**

Banking business is highly sensitive to changes in financial markets and economic conditions and the Covid-19 pandemic represented an aggravating factor and a source of uncertainty, affecting the real economy and testing banks' resilience. The exceptional support measures taken by governments and private sectors (such as moratoria on loans, public guarantee schemes, etc.) adequately addressed the immediate effects of the crisis, yet they may not be sufficient to support recovery on the longer run.

At first glance, the dynamic of the non-performing loan portfolio provides grounds for optimism, however a number of challenges still linger amid the persistence of the pandemic. Evolution of credit risk in the period ahead is tightly linked to the pace of economic recovery, effects of the energy crisis and inflation outlook.

### **Climate related and environmental risks**

Environmental, social and governance (ESG) risks are defined as risks stemming from the current or prospective impacts of ESG factors on counterparties or invested assets of financial institutions. ESG risks are seen as aggravating factors to the traditional categories of risks and are likely to impact the banks' activities in the short-, medium- and long-term.

In the coming period, the impact of climate change and the efforts undertaken at European level for the transition to a green economy will have a growing influence on the financial system. Addressing risks stemming from climate change and environmental degradation may be one of the main challenges for banks in the years to come, as they are envisaged to play a more active role in supporting the transition to a more sustainable economy.

### **Unpredictability and uncertainty of legal framework**

The uncertainty and lack of predictability of legal changes could have an adverse effect on financial institutions by putting pressure on liquidity, solvency and profitability.

Financial institutions are subject to a more and more extensive supervisory and regulatory framework (for instance, various EBA guidelines, implementing CRD V and BRRD 2 directive, etc), while adaptation to such changes requires significant resources that could affect the banks' performance. Additionally, a new set of regulations arose as a result of the high-level commitment to tackle climate change (e.g. CSRD - Corporate Sustainability Reporting Directive, EU Taxonomy, SFDR - Sustainable Finance Disclosure Regulation). The high impact of the implementation of the sustainable finance regulatory framework and the increase in non-financial reporting obligations, in a relatively short timeframe, sets an additional challenge for banking institutions.

### **Highly competitive environment, undergoing digital transformation**

The Bank operates in an environment subject to intense competition both from banking and emerging non-banking actors (FinTechs), changing business models, translating in increasing risk to market shares and margins. Competition refers to digital transformation, the speed of answering to the customers' requests, evolving products and services, innovation, reputation, price, technology infrastructure and data management. In addition, certain sectors of the financial services industry have become more concentrated, considering the mergers and acquisitions of institutions involved in a broad range of financial services. Such changes could result in the Group's remaining competitors benefiting from greater capital resources or other advantages, such as the ability to offer a broader range of products and services, which may enhance their competitive position.

### **CREDIT RISK MANAGEMENT**

Credit risk management is regulated through a set of internal documents, which transpose local and EU regulations, SG Group policy and risk management best practices in the internal framework.

Some of the main principles employed in managing credit risk are presented below:

- client credit due diligence maintaining prudent underwriting standards
- well formalized processes for credit approval, including a strictly defined mechanism of delegated credit competencies and approval limits; credit approval authorities are assigned to individuals according to their qualifications, experience and training
- use of well-defined origination criteria by type of customer, including thorough knowledge of borrowers as well as the purpose and structure of the credit, in-depth analysis of sources of repayment and risk mitigation through requests for collaterals or guarantees
- use of an internal rating system for non-retail counterparties
- diversified credit portfolio, specific concentrations being assessed and monitored through a set of limits on single-name, economic sectors, geographical/regions, transactions/products, credit risk mitigation techniques (defined in line with the Bank's risk appetite)
- segregation of duties between front office and back office activities
- review and approval by senior management of new products and significant changes to activities/processes
- ongoing follow-up of credit exposures, at single and group level
- identification and management of non-performing loans and assessment of workout activity using objective indicators
- regular monitoring and reporting to senior management on the quality of credit portfolios
- regular monitoring of credit risk profile compared with the risk appetite approved by the Board of Directors
- regular independent review of lending activities by the Bank's Internal Audit function

BRD's exposure to credit risk is derived from its commercial, treasury and trading activities, the commercial activities representing the core business of the Bank.

Exposures on sovereign risk are concentrated on the Romanian State and consist of the portfolio of treasury bills and bonds, placements with the Central Bank for liquidity purposes (including the minimum reserve requirements) and the guarantees received from the Romanian State for Prima Casa program.

Undertaking of credit risk is part of the Group's risk management strategy based on its risk appetite. Société Générale's credit policy is based on the principle that approval of any credit risk undertaking must be based on sound knowledge of the client and the client's business, an understanding of the purpose and structure of the transaction and the sources of repayment of the debt. Credit decisions must also ensure that the structure of the transaction will minimize the risk of loss in the event the counterparty defaults.

### **CREDIT RISK MITIGATION TECHNIQUES**

BRD has a cash flow based lending approach, meaning the Bank expects debt to be serviced primarily through the future cash flow/income generated by the debtor. Collateralization, in the form of collateral (funded credit protection) or guarantee (unfunded credit protection), is accepted merely to mitigate credit risk and it cannot serve as a substitute for the borrower's ability to meet obligations.

The Bank accepts the following main types of securities:

- Financial collateral (cash, deposits, Romanian government bonds, shares)
- Non-financial collateral (real estate, movable assets, receivables, intangibles, payment instruments)
- Guarantees (personal guarantees, letters of guarantee, letters of comfort, financial guarantees issued by guarantee funds and Eximbank, sovereign guarantees, endorsements)

Mortgages are the most frequent type of accepted collaterals. Nevertheless, the collateral structure is further diversified subject to the type of financing (e.g. for working capital financing, receivables and inventories are accepted as customary collateral).

Risk department is responsible for approving the operational procedures for regular valuation of guarantees and collaterals.

### ***Real estate collaterals***

The market value of real estate collaterals is estimated by certified internal or external evaluators. The valuation is performed in accordance with the International Valuation Standards and ANEVAR Standards and Recommendations. To be noted that real estate valuations have to be verified by the competent units, independently from the credit approval process.

The Bank uses the following valuation methods for real estate: market approach and income approach.

Revaluation is performed yearly in case of commercial/ industrial/ agricultural real-estate and plots of land and at least once every 3 years, for residential real estate. Higher frequency reevaluation is performed when the real estate market displays a significant negative evolution. BRD monitors the risks associated with the valuation activity via implemented internal controls.

### ***Guarantees***

The credit risk mitigation effect of guarantees is closely linked to the guarantor's creditworthiness and the secured amount must be reasonably proportionate to the economic performance capabilities of the protection provider.

The main guarantor for BRD's clients is the Romanian State, which intervenes to sustain credit activity by national wide guarantee programs implemented through the intermediation of Guarantee Funds (FNGCMM or FGCR) or Eximbank, main exposure of this type being generated by Prima Casa program. Another category of guarantors is represented by commercial banks (local or foreign), issuing LGs in favor

of BRD clients. BRD's indirect exposures on each guarantor are assessed using the same principles as for direct credit exposures of BRD.

### ***Residual risk management***

The Bank systematically manages the residual risk (that could materialize in situations when credit risk mitigation techniques are less efficient than expected) through the collateral policy (prudent validity, acceptance and eligibility criteria), regular revaluation of the collaterals, regular monitoring through specific risk indicators and capital requirement as residual risk is embedded in the methodologies developed as part of ICAAP Policy.

Detailed information on credit risk is found in Note 42.1 to the consolidated and separate financial statements as of and for the year ended December 31, 2021.

## **LIQUIDITY RISK**

Liquidity and funding risk is defined as the risk of not being able to meet expected and unexpected, current and future cash flow or collateral requirements when they fall due and at a reasonable price.

The Group manages the exposure to the liquidity risk using a specific framework designed to manage it both under normal day-to-day conditions and in the event of a potential liquidity crisis.

The liquidity risk management approach starts at the intraday level managing the daily payments flows, forecasting and managing cash flows, and factoring in the access to central bank monetary policy operations and standing facilities. It then covers a longer term perspective, comprising the maturity profile of all assets and liabilities and the funding strategy.

BRD maintains a liquidity buffer of unencumbered, high quality liquid assets as an insurance against a range of liquidity stress scenarios. A contingency funding plan is designed to protect the stakeholders' interests and to ensure positive outcome in the event of a liquidity crisis.

In terms of governance, the Board of Directors establishes the liquidity risk appetite and tolerance, reviews and approves the liquidity risk strategy and liquidity risk management framework at least on an annual basis and ensures that Executive Committee manages liquidity risk effectively.

The Executive Committee, assisted by Assets & Liabilities Committee (ALCO), develops the liquidity strategy and designs the liquidity risk management framework in accordance with the liquidity risk appetite and tolerance in order to ensure that the Bank maintains sufficient liquidity, continuously reviews information on the liquidity position of the Bank and reports to the Board of Directors on a regular basis, implements the liquidity risk strategy and ensures that appropriate controls, procedures and information flows are in place to support the strategy implementation and follow-up.

The liquidity risk position, under normal conditions, is measured at consolidated level using the static liquidity gaps indicator which is defined as the difference between the expected future outflows and inflows related to the current transactions (no new business included), determined for each time bucket and currency based on the contractual maturity of the transactions, or, for non-maturing products, based on a maturity modeled using historical client behavior or a conventional maturity.

For each budgeting and planning exercise, the future funding needs are assessed starting from the actual liquidity position and budgeted evolution of assets and liabilities. When a deficit is expected, funding solutions are assessed and appropriate actions are planned.

BRD performs liquidity risk stress tests on a quarterly basis in order to identify and quantify its exposures to possible liquidity stresses, analyzing potential impacts on the cash flows and liquidity position. BRD

employs two stress test methodologies, one for a 30 days horizon with focus on the short term survival of the Bank in a time of liquidity crisis and the other for a 6 months horizon, assessing the Bank's resilience and ability to continue to function in times of prolonged stressed liquidity conditions.

Detailed information on liquidity risk is found in Note 42.3 to the consolidated and separate financial statements as of and for the year ended December 31, 2021.

#### **INTEREST RATE RISK AND FOREIGN EXCHANGE RISK IN THE BANKING BOOK (STRUCTURAL RISKS)**

Structural exposure to interest rate and foreign exchange rate risks encompasses all exposures resulting from commercial activities, their hedging and the proprietary transactions of the Group.

The interest rate and exchange rate risks pertaining to trading activities are monitored separately and excluded from the structural risk measurement and management scope.

The general principle is to reduce structural interest rate and exchange rate risks to the greatest extent possible. The interest rate and foreign exchange risks incurred both by the commercial activities and proprietary activities (transactions regarding the shareholders' equity, investments and issues of bonds) are hedged, to the extent possible, on an individual basis or by means of macro-hedging techniques, the remaining part is maintained within pre-established limits at prudent levels.

The interest rate risk is managed through two metrics: balance sheet sensitivity to yield curve shifts and net interest income sensitivity. Balance sheet sensitivity is defined as the variation in the net present value of future principal and interest cash flows of all items in the banking book, balance sheet and off-balance sheet for two steering scenarios of +/- 10 bps parallel shift in the yield curve and for two stressed scenarios +/- 200bps parallel yield curve shifts. A set of limits is applied to balance sheet sensitivity and the compliance within those limits is monitored by ALCO on a monthly basis. The gaps between outstanding assets and liabilities are determined on the basis of the contractual terms of transactions, models based on clients' historic behavior patterns, as well as conventional assumptions relating to certain balance sheet items. Net interest income sensitivity indicator is calculated quarterly and presented to ALCO, but even though a set of limits is in place for this indicator, the main steering indicator remains balance sheet sensitivity.

Detailed information on interest rate risk is found in Note 42.2 to the consolidated and separate financial statements as of and for the year ended December 31, 2021.

#### **MARKET RISK IN TRADING BOOK**

Market risk is defined as the risk of registering losses in on and off-balance sheet positions arising from unfavorable movements of market parameters (FX rates, interest rates, share prices etc.).

Market risk management is integrated within Bank's and Group's risk management, BRD pursuing market risks on a prudent approach, the objective being to ensure profitable market activities but undertaking risk levels and capital needs as low as possible. Bank's trading portfolio represents a small weight of Bank's total risk exposure and contains highly liquid instruments which are traded with good rated counterparts.

Market risk management is carried out according to the below principles:

- Compliance with internal framework and local and European regulations
- Functional independence from business lines
- Definition and/or validation of different methodologies, metrics' typologies, parameters and controls for all products or activities generating market risk in trading book
- Control on definition, approval and parameterization of traded products
- Definition, calibration and approval of risk metrics limits
- Daily analysis and reporting to the operative management of exposures and their compliance with the approved limits

- Synthetic communication to Bank's management presenting the trading book exposures and market risk evolutions

Detailed information on market risk is found in Note 42.2 to the consolidated and separate financial statements as of and for the year ended December 31, 2021.

## **OPERATIONAL RISK**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. It includes the following sub-categories: legal risk, risk related to information technology, communication and security risk, conduct risk and model risk, but excludes the strategic risk.

The Group's operational risk management system was developed and strengthened over the years and allows:

- identification, analysis and evaluation of operational risks, their control and follow up
- applying measures meant to improve and strengthen the control framework, in order to prevent/reduce operational risk losses
- ensuring adequate capital requirements for covering exposure to operational risks

The day to day management of operational risk is the responsibility of employees from each business unit. The personnel have to be always aware of their responsibilities in connection with identification and reporting of operational risks and other duties which may arise in relation with the management of operational risks.

Operational risk management tools put in place at BRD are:

- Historical operational risk losses database
- Key risk indicators (KRI)
- Risk and control self-assessment process (RCSA)
- Scenario analysis
- Managerial Supervision of processes (MS)
- Fraud prevention and detection system
- Committee for New Products, which ensures the assessment of operational risks associated with new products for Banks' clients, outsourcing of activities and significant modifications of the existing products offered to the Bank's clients
- Crisis management and business continuity plan
- Management of Information Security and IT Risk

In 2021, the operational risk strategy focused on the following axes:

- Enhancement of operational risk culture (including clients' risk awareness about main threats)
- Improvement of Operational Risk Management tools, by: (i) running the RCSA exercise having a process-based approach; (ii) KRIs continuous analysis and calibration in order to ensure a proper monitoring of risk areas; (iii) adapting of the existing outsourced contracts to latest regulatory changes;
- Improvement of the control environment
- Review of the Information Security and IT risk management Framework in order to improve the capability to assess the risks and respond to security and IT incidents.
- Continuously updating the business continuity mechanisms and crisis management framework, based on the annual Business Impact Analysis' results

- Operational risk assessment of the pandemic crisis effects (i.e. new operational flows, new way of working)

## **STRATEGIC RISK**

The strategic risk represents the risk of diverging from the projected financial and operational results due to unplanned and unforeseen obstacles, events or courses of action.

Recent pace of changes in regulations and legislation and quickly shifting customer behavior generate increasingly more important strategic risks, as financial institutions need to quickly adapt their strategy and tactical decisions to a moving market.

Given the significant impact that delayed response and wrong planning can have on the profitability and solvency of the Bank, the strategic risk is deemed to be of significant importance and, as such, closely monitored and managed.

The annual planning and budgeting exercises, together with the yearly restatement of the Business and Risk Management Strategy ensure that the business strategy of the Bank is timely adapted to changes in macroeconomic conditions, and closely matches the customers' and industry's trends, thus ensuring that planned results will be closely matched by actual performance.

## **RISK OF EXCESSIVE LEVERAGE**

The risk of excessive leverage represents the risk of a financial institution taking on exposures well above its risk bearing capacity, as quantified by the available Tier 1 capital.

While higher levels of leverage at credit institutions compared to other operating institutions may generally be justified due to banks' function of providing liquidity to claimholders and their special abilities with respect to managing risky assets through diversification, excessive levels of leverage make them exceedingly prone to shocks and hampers their loss absorbing capacity.

The Basel III reforms introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is two-fold:

- Restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy
- Reinforce the risk-based requirements with a simple, non-risk-based "backstop" measure

The leverage ratio is a monitoring tool which allows assessment of the risk of excessive leverage, implemented by BRD in 2014. The ratio has been in the 8% - 10% area for the subsequent periods (based on the transitional definition of CET1 capital), with a peak in 2020 after the incorporation of 2019 profit, reaching 13.0% at December 2020 end, and returned to the above area in 2021, marking 8.4% due to lower retained earnings, well above the 3% minimum requirement.

## 7. CAPITAL MANAGEMENT AND ADEQUACY

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### CONSOLIDATION PERIMETER

The basis for calculation of own funds is the consolidated prudential perimeter.

As BRD is parent credit institution in Romania and, at the same time, subsidiary of Société Générale, BRD Group consolidation perimeter for prudential purposes is defined in accordance with Regulation (EU) No 575/2013 (CRR), Part One, Title II, Chapter 2, Section 3.

The consolidated entities for prudential scope are identified based on the criteria as per Articles 4 (1) (3), (16) to (27), 18 and 19 of CRR. According to Article 4 of CRR, entities consolidated in the prudential reporting must have one of the following types of activity: credit institution, investment firm, ancillary services undertaking and/or other financial institution.

In contrast, in accordance with BRD Group's IFRS financial statements, all entities controlled directly or indirectly (including non-financial entities, insurance companies, etc.) are fully consolidated. Additional exclusion of subsidiaries from prudential consolidation perimeter is based on criteria from Article 19 of CRR. Non-consolidated subsidiaries are included in the prudential consolidated statements based on equity method.

Based on the above, the prudential consolidation perimeter of BRD Group includes the parent company BRD - Groupe Société Générale S.A and two fully consolidated subsidiaries:

- BRD Sogelease IFN S.A.
- BRD Finance IFN S.A.

### OWN FUNDS

BRD Group regulatory own funds as at December 31, 2021 amounted to RON 7,007 million (excluding current year net result and the exceptional dividend payment from 2019 and 2020 retained earnings of RON 1.68m approved by the GSM on 24<sup>th</sup> of February 2022) compared to RON 9,056 million as at December 31, 2020 (own funds at December 31, 2020 include the full 2019 net year result and 94.5% of 2020 net result, as dividend distribution restrictions were imposed in 2020 by European regulators, among which NBR, as an answer to the uncertainties generated by the Covid-19 unfolding).

BRD Group regulatory own funds as at December 31, 2021 consist of common equity capital (CET1) and Tier 2 instruments.

Common Equity Capital (CET1) is formed of:

- Eligible Capital includes the nominal share capital and the hyperinflation adjustment of share capital accounted until December 31, 2003. As at December 31, 2021, the share capital amounted to RON 696.9 million, unchanged versus previous periods. The hyperinflation adjustment amounted to RON 1,819 million.
- Eligible Reserves include:
  - Retained earnings, which represent the undistributed profits of previous periods and retained earnings arising from IFRS implementation adjustments.
  - Other reserves: legal reserves, general reserves for credit risk, fund for general banking risk, representing reserves established by the law and share based payment reserves.
- Other comprehensive income (OCI) includes unrealized gains and losses from changes in the fair value of debt instruments at fair value through other comprehensive income and from re-measurement of defined benefit liability arising from the post-employment benefit plan. Starting

2021 end, BRD applies the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income, according to art. 468 of Regulation (EU) 575/2013 as amended by Regulation (EU) 873/2020 as regards certain adjustments in response to the COVID-19 pandemic

Regulatory deductions from CET 1 applicable as at December 31, 2021 essentially involved the following elements:

- Starting 31 December 2020, goodwill and intangible assets that are not prudently valued as per Regulation 876/2019 are deducted 100% from CET 1 (as compared to previous periods when intangible assets accounting value was fully deducted from CET 1). Under this current approach, the positive difference between the prudential and the accounting amortisation becomes fully deducted from the CET 1 capital, while the residual portion of the carrying value of the software prudently valued is risk weighted at 100%. Goodwill is fully deducted from CET 1 capital.
- Contingent or any foreseeable tax charges related to CET 1 reserves taxable upon utilization to cover losses or risks.

As at December 31, 2021, Tier 2 instruments consist of EUR 100 million (RON equivalent 495m) subordinated loan concluded with the parent.

## CAPITAL REQUIREMENTS

From a regulatory perspective, capital requirements cover:

- credit risk
- operational risk, foreign exchange risk and settlement risk
- position risk in trading book
- credit valuation adjustment risk of OTC derivative instruments.

The calculation of credit risk capital requirement takes into account the transactions' risk profile and is computed according to the standardized approach (CRR Part 3, Title 2, Chapter 2) using the Financial Collateral Comprehensive Method and information regarding credit assessments performed by external credit assessment institutions (ECAI). All CRR2 requirements have been implemented starting from June 2021.

The capital requirement for general position risk is calculated using the Maturity-based method. Capital requirement for credit valuation adjustment is determined using the standardized method.

The capital requirement for operational risk is calculated according the CRR, Part 3, Title 2, Chapter 4, using advanced measurement approaches (AMA). BRD, as a member of the Société Générale Group, uses AMA to measure operational risk since 2008 based on the SG internal methodology and calculation. The allocation of operational risk capital requirements to the sub-consolidated entities is based on net banking income and history of operational risk losses.

On top of the total regulatory ratio of 8% set by Art 92 from CRR, starting 2016, based on NBR requirements, BRD Group maintains additional own funds to cover risks resulting from internal assessment and SREP (supervisory review and evaluation process). These amount to 4.59% of RWA during 2021 (4.61% during 2020). Thus, the TSCR ratio (total SREP capital requirements) requirement for BRD Group was 12.59% for 2021 (12.61% for 2020).

Overall capital requirements (OCR) represent the total of SREP requirements and capital buffers, namely:

- A Conservation Buffer in CET 1 capital intended to absorb losses during periods of stress. This buffer is mandatory and fully effective from 1 January 2019 and amounts to 2.5% of total RWA.
- A Countercyclical Buffer that may be imposed during periods of excessive credit growth when system-wide risk is building up, capped at 2.5% of total RWA. According to NBR Order 12/2015

the level of countercyclical buffer was established at 0% for credit exposures in Romania. According to NBR Order 6/ Nov 2021 amending the NBR Order 12/2015, the level of countercyclical buffer for credit exposures in Romania is 0.5% (from 0% previously), applicable starting October 17, 2022.

- Other systemically important institutions (O-SIIs) identified by NBR which have been authorized in Romania, may be subject to an O-SII Capital Buffer of up to 2% of the total RWA. BRD was identified as O-SII by NBR and O-SII Capital Buffer is 1% starting with 1 January 2016 until December 2021 end. Based on a new calibration methodology, starting 1 January 2022 the O-SII Capital Buffer for BRD is 1.5% of total RWA.
- A Systemic Risk Buffer was imposed, according to NBR Order 4/2018, starting with 30 June 2018, with the aim of supporting the adequate management of credit risk and enhancing banking sector resilience to unanticipated shocks, amid unfavourable structural circumstances. The buffer is applied to all exposure and is calibrated at 0% - 2%, depending on the level of the non-performing loans ratio and the coverage ratio. The systemic risk buffer applicable for BRD is 0%. As the capital requirement for structural buffers is determined as the max of O-SII buffer and systemic risk buffer and an O-SII buffer of 1% was already applied, the systemic risk buffer had no effect on the capital requirements for BRD in 2021. Following the publishment of NBR Regulation 2/2022 amending Regulation 5/2013, transposing CRDV, the requirement for structural buffers will be the sum of O-SII buffer and Systemic Risk Buffer.

#### **MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)**

According to Bank Recovery and Resolution Directive (BRRD), the banks should have the loss-absorbing and recapitalization capacity necessary to help ensure that, in, and immediately following a resolution, those institutions can continue to perform critical functions (criticality assessed from the perspective of impact on the markets) without putting taxpayers' funds, meaning public funds, or financial stability at risk.

Therefore it was regulated a requirement for own funds and eligible liabilities (MREL) for all credit institutions and investment firms through BRRD1 (Directive 2014/59) transposed in Romanian legislation through Law 312/2015, and BRRD2 (Directive 2019/879) into force starting December 2020 and transposed in local legislation through Law 320/2021.

At end of March 2020, National Bank of Romania, in its capacity as Romanian Resolution Authority, notified BRD on its MREL requirement according to BRRD 1, in terms of total liabilities and own funds (TLOF), calibrated on balance sheet data as of 31 December 2017.

According to this notification, BRD shall comply with individual MREL on a sub-consolidated basis at the level of 15.48% of TLOF, which shall be reached by 31 December 2023, with intermediate targets over the transitional period, the first binding one being for end of 2021. In terms of total risk exposure amount (TREA), the MREL requirement would represent 29.21%.

The table below summarizes MREL requirements in force as at 2021 end:

Requirements for BRD-Groupe Societe Generale based on December 2017 data	in % of TLOF at 31.12.2021	in % of TLOF by 31.12.2023	in % of TREA by 31.12.2023
Total MREL	13.08%	15.48%	29.21%

Following BRRD 2 transposition in Romanian legislation, BRD received from NBR at beginning of 2022 the order regarding the fulfilment of MREL requirements until 1<sup>st</sup> of January 2024, according to BRRD 2, so expressed in terms of total risk exposure amount (TREA) and total exposure measure (TEM). There is an intermediary binding level as of 1<sup>st</sup> July 2022.

As the resolution strategy for Société Générale is Single Point of Entry, with upstream of losses to the resolution entity (Société Générale SA), the total MREL should be satisfied with own funds and a new category of debt (senior not preferred), ranking above own funds & subordinated that is not AT1 or T2, but below senior preferred. The SNP should be concluded with the parent (Art. 45 f (2) BRRD2).

In anticipation of the BRRD2 notification, BRD concluded in December 2021 a 450 MEUR SNP loan and a 100 MEUR subordinated loan, both with the parent.

The summary of the BRD Group and Bank capital adequacy is presented below:

RON m	Bank		Group	
	2020	2021	2020	2021
Eligible CET1	8,615	6,932	8,867	7,183
Eligible CET1 after adjustments	9,420	6,969	9,671	7,220
Total Tier 1 capital	8,808	6,262	9,056	6,513
Total Tier 2 capital	-	495	-	495
<b>Total own funds</b>	<b>8,808</b>	<b>6,757</b>	<b>9,056</b>	<b>7,007</b>
<b>Capital requirements</b>				
Credit risk (including counterparty risk)	1,847	2,165	1,972	2,300
Market risk	18	11	18	11
Operational risk	210	170	220	177
Credit valuation adjustment (CVA) risk	13	21	13	21
<b>Total capital requirement</b>	<b>2,088</b>	<b>2,368</b>	<b>2,223</b>	<b>2,509</b>
<b>Risk weighted assets</b>				
Credit risk (including counterparty risk)	23,082	27,067	24,647	28,753
Market risk	229	138	229	132
Operational risk	2,630	2,125	2,752	2,211
Credit valuation adjustment (CVA) risk	160	266	160	266
<b>Total risk exposure amount</b>	<b>26,102</b>	<b>29,596</b>	<b>27,787</b>	<b>31,362</b>
<b>Regulatory Capital Adequacy Ratio</b>	<b>33.74%</b>	<b>22.83%</b>	<b>32.59%</b>	<b>22.34%</b>
<b>Tier 1 ratio</b>	<b>33.74%</b>	<b>21.16%</b>	<b>32.59%</b>	<b>20.77%</b>
Eligible liabilities (senior non preferred loan)		2,227		2,227
Total own funds and eligible liabilities		8,984		9,234
<b>MREL (% of TLOF end 2017)</b>		<b>17.34%</b>		<b>17.35%</b>

*Note: Own funds at 2021 end exclude net profit of the year and are after the exceptional dividend payment from 2019 and 2020 retained earnings of RON 1.68m approved by the GSM on 24<sup>th</sup> of February 2022. CAR including 2021 net profit, net of dividends (subject to GSM approval on 28<sup>th</sup> of April 2022) was 23.66% (Group) and 24.13% (Bank) at 2021 end.*

## LEVERAGE RATIO

Following CRD IV implementation, BRD computes and reports leverage ratio which is designed specifically to limit the risk of excessive leverage in credit institutions and was introduced as a complementary tool to the regulatory capital adequacy ratio.

The leverage ratio reached 8.51% (excluding current year net result) as at 31 December 2021 at Group level, which is well above the 3% minimum requirement enforced based on Regulation 2019/876 amending CRR starting with June 2021.

The sustainable level of leverage ratio results from the strong capital base, namely high level Common Equity Tier 1 capital and Tier 2 capital, and a balance-sheet structure specific to the universal bank business model with core focus on retail activities.

### **INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)**

In accordance with Article 148 of the Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, as subsequently amended and NBR Regulation no. 5/2013 on prudential requirements for credit institutions, BRD has in place a process for internal assessment of capital adequacy to risks.

The Bank performs periodically an evaluation of internal capital adequacy to risks by comparing the available own funds with internal capital requirements. The general framework for ICAAP is updated annually and the capital adequacy monitoring is performed on a quarterly basis.

A risk assessment is performed annually, and involves the evaluation of all risks to which the Bank may be exposed and the identification of the significant risks.

The internally evaluated capital requirement is determined using „Pillar 1 plus” approach, where the capital requirements for the following risks are added to the regulatory capital requirements:

- Credit risk concentration, residual risk from usage of credit risk mitigation techniques, risk related to foreign currency lending to unhedged borrowers and risks arisen from applying less sophisticated approaches
- Interest rate risk in banking book
- Funding risk
- Strategic risk
- Other significant risks: reputational risk, compliance risk, model risk.

For the purposes of the internal capital adequacy assessment, the available own funds are considered equal to the regulatory own funds.

Based on the Business and Risk Strategy and on the Risk Appetite, the Bank makes projections of the own funds and capital requirements on a three years horizon in order to ensure their adequacy, both in normal course of business and under stress situations.

## 8. INTERNAL CONTROL FRAMEWORK

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Internal Control System relies on the three lines of defense model, which reinforces segregation of duties between various control functions.

The *first line* of defense is represented by all staff for the operations in their area of activity, comprising all of the Bank's structures (located both in the Network and Headquarters) which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its policies, procedures and controls.

All Bank's structures (including structures acting as control functions) are responsible with performing the first level controls. They represent all measures implemented at operational level, in order to ensure the conformity, validity and security of the performed operations (controls on operational activity and controls on accounts).

The responsibility for the implementation and operation of first level controls is with the management of all Bank's structures (both in first and second line of defense), by the continuous management of risks arising from their daily activities, as per internal normative framework, but also for the implementation of first-level controls and by taking the necessary corrective measures in all cases where deficiencies are identified as a result of the processes or of the carrying out of the control.

Business Integrity Support (BIS) coordinates and harmonizes the managerial supervision by providing support to operational management in its implementation. BIS centralizes the results of managerial supervision controls and submits them to the Executive Committee, Risk Management Committee and Internal Control Committee, if the case.

In a manner similar to BIS, General Accounting Division through the dedicated team, coordinates and assists the Bank's structures in the managerial supervision of accounts.

The *second line* of defense is represented by risk management and compliance functions. As independent functions that oversee risks, they ensure that risks are identified, measured, monitored and reported, according to internal and external requirements, and provide support to operational structures in meeting their risk management tasks.

Risk Management Function is responsible for overseeing risk identification, evaluation, monitoring, and reporting activities, independently of operational and support structures. It has the mission to support the Bank's structures in managing the risks arising from their day-to-day activities. Deputy CEO in charge of Risk (Chief Risk Officer) is the Coordinator of the Centralized Risk Management function and reports to the management body, as well as to relevant committees, all the results / conclusions / recommendations for improving the risk management function. Details regarding Risk Management Function and structures involved are presented in the chapter regarding risk management governance.

As part of the risk management function, BRD has in place a Level 2 control structure that has the responsibility to ensure a better internal control system efficiency by evaluating the quality of the level 1 control. This assessment addresses controls to prevent operational risks generated by the activities and processes within BRD Group. Level 2 control has the following responsibilities:

- Evaluating the design of Level 1 controls / control procedures to ensure that there is a proper framework for monitoring and controlling operational risks related to activities
- Evaluating the performance of these controls to ensure that all operational risks and anomalies have been identified by the first level of control, and that there are appropriate remedial actions and that they are implemented

Compliance Function is an internal control function independent of the other control functions. Its staff has no attributions that fall within the scope of the activities they are to monitor and control and must not be in any conflict of interest from the point of view of compliance responsibilities. The compliance function is coordinated by the Director of the Compliance Department, who is the coordinator of the compliance function at Bank level, being hierarchically subordinated to the Bank's CEO.

The *third line* of defense is represented by the internal audit function, which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework. Internal audit function reports to and operates under the mandate of the Board of Directors.

The main instruments implemented at BRD level for ensuring an efficient internal control system are:

- Transposition of the Bank's strategies/policies/processes into written regulations (norms, policies, instructions, work procedures) and their periodic review
- Raising awareness of each operational level regarding the necessity to control operations and apply working procedures adapted to the nature and volume of activity, taking into account all risk types
- A clear decision process and allocation of responsibilities and authority limits, by hierarchical levels and organizational structures, including appropriate segregation of duties at all organizational levels, in order to prevent assignment of conflicting responsibilities
- A continuous process of identification, assessment, mitigation, monitoring and reporting of material risks
- A compliance program
- An audit plan
- Timely reporting of the deficiencies identified in the internal control system to the appropriate management level, who should address the issues promptly
- Timely reporting of material internal control deficiencies to management body

The internal control framework described above is applicable to the financial reporting processes and provides reasonable assurance on the reliability of financial reporting, compliance with applicable laws and regulations, as well as with the internal policies and procedures.

It is the Board of Directors' assessment that the Group has adequate internal control and risk management arrangements in place with regard to the Group's risk profile and strategy.

## 9. CONCLUSIONS AND PERSPECTIVES FOR 2022

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Romanian economy showed a rebound in 2021 fostered by better business conditions and sentiment.

However, uncertainty significantly increased with the crisis in Ukraine adding to recent increase in inflation, growing current account deficit, high fiscal deficit and rising public debt.

Within the improved context in 2021, BRD's commercial activity was excellent all over the board.

Lending was intense, BRD Group net loans, including leasing receivables, recording a double-digit growth (+11.2% compared to 2020). Marked by the best yearly consumer loan production ever and a 66% progression of new housing loans, private individuals' loan production strongly rebounded vs 2020 (+38%). It also registered a 17% increase versus 2019. Corporate lending (+26.3% compared to 2020) built on very strong dynamics on both SME (+22.8% YoY) and large corporate segments (+28.5% YoY).

BRD also firmly materialized its strong commitment in supporting sustainability transitions, structuring green financings worth half a billion EUR, including the granting of the most important green loan on the Romanian market ever.

In 2021, BRD was particularly active in bringing new digital solutions to its clients, digital adoption increasing rapidly. Bank's new mobile application, YouBRD, has been constantly upgraded and enriched with new features for a simpler and enhanced experience. In addition, the digital offer to private individuals includes now two essential services: remote onboarding and online consumer lending. Reflecting the accelerated digital adoption, the number of digitally active private individual customers was up by 20% YoY and 48% vs 2019, and the number of transactions was 31% higher than in 2020. Corporate digital experience was also further enhanced with enriched cash management and trade finance solutions.

Building on a solid commercial activity, the net banking income increased. Revenues from fees and commissions posted a solid growth, while net interest income remained resilient to decrease of market rates throughout most of 2021. Cost evolution mirrored digital transformation deliveries. The improved macroeconomic context and a dynamic recovery activity on non-performing portfolio led to a net reversal in the cost of risk. Consequently, BRD delivered in 2021 a high level of profitability.

BRD continued its investments in essential areas for the future of Romanian society, like education, science & technology, culture, sport, environment, remaining a committed partner for both its clients and the society.

Further details on the Bank's perspectives and objectives are presented in the budget for 2022 which is submitted for approval to the General Assembly of Shareholders.

## 10. BOARD OF DIRECTORS' PROPOSALS

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- 1) Considering the present report, we submit for the approval of the General Assembly of the Shareholders of BRD the separate and consolidated financial statements prepared according to the International Financial Reporting Standards as adopted by the European Union, for the period ended December 31, 2021, made of:
  - Separate and consolidated statement of financial position;
  - Separate and consolidated income statement;
  - Separate and consolidated statement of comprehensive income;
  - Separate and consolidated statement of changes in equity;
  - Separate and consolidated cash flow statement;
  - Notes to financial statements.
- 2) Approval of the profit distribution and setting of the dividend for 2021. The proposed gross dividend is of 1.285 lei / share. The dividends will be paid on June 7<sup>th</sup>, 2022 and the deferred payment date will be November 29<sup>th</sup>, 2022.
- 3) Discharge of the Board of Directors.

**Giovanni LUCA SOMA**

**Chairman of the Board of Directors**

**François BLOCH**

**Chief Executive Officer**

**Stephane FORTIN**

**Deputy Chief Executive Officer**

**Etienne LOULERGUE**

**Chief Financial Officer**

**APPENDIX 1: STATEMENT OF COMPLIANCE WITH THE PROVISIONS OF CORPORATE GOVERNANCE CODE OF BUCHAREST STOCK EXCHANGE (BSE)**

PROVISION	COMPLY WITH	PARTIAL COMPLY WITH	DO NOT COMPLY WITH	REASON FOR FAILURE TO COMPLY WITH
<b>Section A – Responsibilities</b>				
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	X			
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X			
A.3. The Board of Directors or the Supervisory Board should have at least five members.	X			
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or	X			

<p>Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:</p> <p>A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years.</p> <p>A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years.</p> <p>A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director.</p> <p>A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or</p>				
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<p>with a company controlled by it.</p> <p>A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity.</p> <p>A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it.</p> <p>A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director.</p> <p>A.4.8. Not to have been a non-executive director of the company for more than twelve years.</p> <p>A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.</p>				
<p>A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential</p>	X			

investors before appointment and during his/her mandate.				
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	X			
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	X			
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	X			
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X			
A.10 The corporate governance statement should contain information on the precise number of the	X			

independent members of the Board of Directors or of the Supervisory Board.				
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	X			
<b>Section B - Risk management and internal control system</b>				
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X			
B.2. The audit committee should be chaired by an independent non-executive member.	X			
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	X			

B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	X			
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	X			
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X			
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X			
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	X			
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X			
B.10. The Board should adopt a policy ensuring that any	X			

transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.				
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X			
B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	X			
<b>Section C - Fair rewards and motivation</b>				
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows	X			

<p>stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>				
<b>Section D - Building value through investors' relations</b>				
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the	X			

<p>general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:</p> <p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.</p> <p>D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;</p> <p>D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;</p> <p>D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;</p> <p>D.1.5. Information on corporate events, such as</p>				
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<p>payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;</p> <p>D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;</p> <p>D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.</p>				
<p>D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.</p>	X			
<p>D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based</p>	X			

upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.				
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X			
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X			
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X			
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders,	X			

unless the Chairman of the Board decides otherwise.				
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X			
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	X			
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	X			

# BRD GROUP NON-FINANCIAL STATEMENT



GROUPE SOCIETE GENERALE

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## I. Our Business Model and how we create value for our stakeholders

### 1.1. Group Presentation

The BRD Group has the following component:

- BRD - Groupe Société Générale S.A.
- BRD Sogelease IFN SA
- BRD Finance IFN SA;
- BRD Asset Management SAI SA.

**BRD Groupe Société Générale („BRD” or „the Bank”)** was established on December 1, 1990, as an independent commercial bank, in the legal form of a joint-stock company, with majority capital held by the Romanian state, by taking over the assets and liabilities of the Investment Bank. In March 1999, Société Générale (SG) acquired a package of shares representing 51% of the share capital, increasing its holding to 58.32% by buying, in 2004, the package owned by the Romanian state. As of December 31, 2020, SG held 60.17% of the share capital. SG is one of the largest European financial services groups. Building on a diversified and integrated banking model, the group combines proven financial strength and proven innovation with a strategy of sustainable growth and aims to be a reliable partner in customer relations, dedicated to the positive transformation of the world.

Since 2001, BRD is a joint-stock company admitted to trading on a regulated market, which operates as a Romanian legal entity, pursuant to the Companies’ Act, to the regulations regarding the capital market and to the banking legislation, as well as to the provisions of these Articles of Incorporation and of the internal normative documents. The Bank's shares are listed in the Premium category of the Bucharest Stock Exchange and are included in the BET, BET Plus, BET-XT, BET-XT-TR, BET-BK, BET-TR and ROTX indices. The Bank's shares are ordinary, registered, dematerialized and indivisible shares.

**The shareholding structure of the Bank as at 30.11.2021 is the following:**

1. **Société Générale S.A.**, headquartered at 29 Bd. Haussman, Paris, France, French juridical person, registered with the Register of Commerce and Companies in France under no. RCS Paris 55212022215342, holds 419,313,688 shares, i.e., **60.1683%** of the share capital, namely RON 419,313,688.

2. **Fondul de Pensii Administrat Privat NN/NN Pensii S.A.F.P.A.P. S.A.**, headquartered in Str. Costache Negri, no. 1-5, Bucharest, Sector 5 Romania, holds 36,990,849 shares, i.e., **5.3079 %**, namely RON 36,990,849.

3. **Societatea de Investiții Financiare Oltenia S.A., Craiova**, Str. Tufănele, Bl. 313, jud. Dolj, a Romanian juridical person, holds 27,650,243 shares, i.e., **3.9676%**, of the share capital, namely RON 27,650,243.

4. **Fondul de Pensii Administrat Privat AZT Viitorul Tau** headquartered in Emanoil Porumbaru Street No. 85-87, Bucharest, holds 27,237,648 shares, i.e., **3.9084 %**, namely RON 27,237,648.

5. **Fond de Pensii Administrat Privat Metropolitan Life** headquartered in Bld. Lascar Catargiu, No. 47-53, Floor 4, Bucharest, Sector 1, Romania, holds 22,091,577 shares, i.e., **3.1700 %**, namely RON 22,091,577.

6. **Societatea de Investitii Financiare Transilvania S.A.**, headquartered in Brasov, str. Nicolae Iorga no. 2, jud. Brasov, a Romanian juridical person, holds 17,583,650 shares, i.e., **2.5231%**, of the share capital, namely RON 17,583,650.

7. **Societatea de Investiții Financiare Banat - Crișana S.A.**, headquartered in Arad, str. Calea Victoriei no. 33-35, jud. Arad, a Romanian juridical person, holds 13,615,497 shares, i.e., **1.9537 %** of the share capital, namely RON 13,615,497.

8. **Fondul de Pensii Administrat Privat Vital/Aegon SAFPP**, headquartered in Floresti, Jud Cluj, Str.Avrăm Iancu Nr. 506-508 Et.4, holds 10,431,712 shares, i.e., **1.4969%**, namely RON 10,431,712.

9. **Fondul de Pensii Administrat Privat ARIPI**, headquartered in Bucharest, Place Charles De Gaulle No.15, Floor 6, sector 1, holds 8,744,054 shares, i.e., **1.2547%**, namely RON 8,744,054 lei.

10. **PAVAL HOLDING SRL** a number of shares 6,649,577 i.e., **0.9283 %**, of the share capital, namely RON 6,469,577.

11. **Other shareholders juridical persons** own together a number of shares 76,277,003 i.e., **10.9452 %**, of the share capital, namely RON 76,277,003.

12. **Other shareholders natural persons** own together a number of shares 30,496,020 i.e., **4.3759%**, of the share capital, namely RON 30,496,020.

**BRD Sogelease IFN S.A.** (BRD Sogelease) is a non-banking financial institution, subsidiary of BRD, specialized in financial leasing and asset-based loan financing for companies and professionals. Since its establishment in 2001, BRD Sogelease offers customized solutions for a large number of clients from various segments (corporations, SMEs, liberal professions) and sectors (transportation and logistics, constructions, agriculture, manufacturing, healthcare and others). Asset based, leasing financing offered by BRD Sogelease help clients' implement their development plans and facilitate their access to capital, the flexibility and simplicity of the products generating value especially for SME's segment.

#### **The shareholder structure of BRD Sogelease is:**

- BRD - Groupe Societe Generale S.A. - 99, 98%.
- BRD FINANCE IFN SA - 0.02%.

**BRD Finance IFN SA** (BRD Finance) is present on the Romanian market since April 2004 and is one of the leaders in the consumer credit market. BRD Finance carries out a diversified lending activity, so that customers can easily obtain the products they want. The offer includes consumer loans: loans for the purchase of goods, credit cards and car loans. Over time, development strategies have supported the company's strong growth and led to the creation and consolidation of partnerships with major companies in areas such as: hypermarkets (Carrefour), DIY (Dedeman, Brico Depot), electro-IT (Flanco, eMAG, Rombiz), furniture (Elvila, Mobexpert), car (Peugeot, Citroen, Toyota, Hyundai, Fiat, Suzuki, Opel, Dacia, Renault, Nissan).

#### **The shareholder structure of BRD Finance is:**

- BRD - Groupe Société Générale S.A.: 49%
- SG Financial Services Holding: 51 %

**BRD AM** (BRD Asset Management/BRDAM) was established in 2000 under the name SG Asset Management SAI, being a subsidiary of Société Générale - Asset Management Paris. In 2008, when BRD Groupe Société Générale becomes the majority shareholder the company changed its name into BRD Asset Management. The first investment fund launched, was BRD Simfonia, in 2001. Over time, BRD Asset Management SAI has consolidated its position in the market through professionalism and constant adaptation of the products to the clients' needs. The clients of the company are private individuals and companies and the main market is UCITS

#### **The shareholder structure of BRDAM is:**

- BRD - Groupe Societe Generale S.A. - 99,975%
- BRD Sogelease IFN S.A.- 0,025%

### **1.2. Products and Services**

**BRD** is a universal bank offering a wide range of products and services for private individuals and companies. In terms of products and services offered to private individuals, BRD has a national coverage offering daily banking products and services and loans for individuals (consumer loans, mortgage loans, overdrafts & credit cards). Regarding clients represented by companies, either small, medium or top corporates, BRD has a wide offer covering their specific business needs, ranging from flexible current account packages, short/ medium- and long-term loans (for e.g., working capital, credit ceilings and overdrafts, investment loans, campaign credits), Internet banking services, special accounts, up to cash collection and payment solutions.

BRD is an important partner for companies in domains like trade factoring, Government Programs and European Funds.

Product/service	Description	Sector and type of customers
Current account	Daily banking product offered by BRD to all Retail Clients in order for them to manage their day-to-day payments and incomings.	Retail customers - Private Individuals and Small Business
Current account packages	Daily Banking Products offered by BRD to all Retail customer as groups of banking and extra-banking products and services that are based on a support account (current account).	Retail customers - Private Individuals and Small Business
Debit cards	Debit cards on current account (stand alone or in package).	Retail customers - Private Individuals
Credit cards	Revolving credit cards with installments.	Retail customers - Private Individuals
Prima Casa/Noua Casa loans	Mortgage loan sustained by a state guarantee in a governmental program aimed at facilitating the acquisition of the first home. Offered by BRD to Private Individuals.	Retail customers - Private Individuals
Mortgage Loans (other than Prima Casa/Noua Casa)	Loans for the acquisition, renovation or construction of a building, or for refinancing a mortgage loan, with mortgage collateral. Offered by BRD to Private Individuals.	Retail customers - Private Individuals
Personal Loans	Consumer loans granted for unspecified needs to Private Individuals (including refinancing).	Retail customers - Private Individuals
Loan for studies	Loans for financing studies, for Private Individuals.	Retail customers - Private Individuals
Loans for medical expenses	Loans for financing medical expenses, for Private Individuals.	Retail customers - Private Individuals
Loans for temporary needs	Loans granted with cash collateral or other liquid guarantees to Private Individuals.	Retail customers - Private Individuals
Overdrafts	Overdraft loans offered to Private Individuals.	Retail customers - Private Individuals
Savings Accounts	Savings accounts for Private Individuals, for minors and adults.	Retail customers - Private Individuals and Small Business
Term deposits with fixed interest rates	Term deposits with fixed interest rates dedicated to Private Individuals.	Retail customers - Private Individuals and Small Business

Product/service	Description	Sector and type of customers
Term deposits with progressive interest rates	Term deposits with progressive interest rates dedicated to Private Individuals ("Progreso" term deposits).	Retail customers - Private Individuals
Current account packages	Small & medium enterprises package for current account (Small Business and Corporate Clients).	Retail & Non-Retail customers - Small Business & Corporate
Standard accounts	Accounts for maintaining salary conventions, social capital account (Small Business and Corporate Clients).	Retail & Non-Retail customers - Small Business & Corporate
Accounts with special functionality	Guarantee account for a client undergoing the insolvency proceedings, fiduciary accounts (for Small Business and Corporate Clients).	Retail & Non-Retail customers - Small Business & Corporate
Deposits	Deposits in local and foreign currency (for Small Business and Corporate Clients).	Retail & Non-Retail customers - Small Business & Corporate
Business Debit Cards	Debit cards for Small Business and Corporate Clients.	Retail & Non-Retail customers - Small Business & Corporate
Conventions for banking cards acceptance (e-commerce)	Other companies employees benefits package	Retail & Non-Retail customers - Small Business & Corporate
POS usage	-	Retail & Non-Retail customers - Small Business & Corporate
BRD@ffice	Internet banking	Retail & Non-Retail customers - Small Business & Corporate
MultiX	Payment App	Non-Retail customers - Small Business & Corporate
e-Trezor	Payment service for customers with Treasury accounts	Retail & Non-Retail customers - Small Business & Corporate
e-Customs	n.a.	Non-Retail customers - Small Business & Corporate
SogeCash International	- International accounts administration	Non-Retail customers - Small Business & Corporate
Trade Net		Retail & Non-Retail customers - Small Business & Corporate
FX forward	Represents a foreign exchange transaction (sale/purchase transaction of an amount in one currency in exchange for another currency) concluded with a future settlement date (more than 2 business days after the transaction date); the amount, maturity and price are set at the time of concluding the transaction.	Corporate clients and financial institutions
FX spot	Represents a foreign exchange transaction (sale/purchase	Retail, corporate and financial institutions

Product/service	Description	Sector and type of customers
	transaction of an amount in one currency in exchange for another currency) with the settlement date on the "spot date", i.e. on 2 (two) business days after the date of the transaction (t+2, where t=the transaction date).	
FX swap	Represent a transaction including the simultaneous conclusion of a FX spot and of a FX forward transaction, of opposite directions, for different settlement dates, for the same notional and for the same currency pair.	Corporate clients and financial institutions
Interest rate options	A contract that gives the buyer the right, but not the obligation, to borrow (cap) or to lend (floor) a specific notional for a predefined future period at a predefined interest rate.	Corporate clients and financial institutions
FX options	A contract that gives the buyer the right, but not the obligation, to buy (call) or sell (put) a specific notional on a currency pair at a predetermined price (strike or exercise price), at or up to a certain future date (exercise date).	Corporate clients and financial institutions
Repo / reverse repo	Repo operations – liquidity providing transactions whereby the counterparty buys eligible assets with the commitment to resell the assets at the date and the price agreed on the date the transaction was concluded.  Reverse repo operations - liquidity-absorbing transactions whereby the counterparty sells eligible assets with the commitment to repurchase the assets at the date and the price agreed on the date the transaction was concluded.	Financial institutions
Interest Rate Swap	Represents a contract in which two parties agree to exchange periodically cash flows based on a floating rate and respectively on a fixed rate, for a predefined notional and for a predetermined period.	Corporate clients and financial institutions

Product/service	Description	Sector and type of customers
Brokerage Services	Intermediation services for client orders on regulated markets for listed instruments (equities, fixed income, structured products, ETPs).	Retail, corporate and financial institutions
Depository Services	Certification of net asset value, net asset unit value and issue/redemption price for each business day.	Depository Services
Custody Services	Safekeeping and settlement of trades performed by clients for local market and external foreign markets.	Custody Services
Issuer Services	Specialized banking services offered to issuers of securities in relation to investors (underwriting in public offerings of securities, distribution of dividends, payment of interest or coupons, repayment of principal, etc.) and for the centralization of financial transactions related to these services on behalf of issuers.	Issuers of securities, listed or not listed companies
Clearing Bank	The settlement of transactions in financial instruments in book-entry form.	Brokers (SSIF - financial investment services companies) and clients benefiting from custody services.
Programed Payments Services	Automated payments between BRD accounts with different frequencies (daily, weekly, bi-monthly, monthly). The service will automatically transfer predefined fixed amounts or the entire balance of the current account.	Retail & Non-Retail customers - Small Business & Corporate
Interrogations in Payments Incidents Bureau	The BRD client may ask for the result of the interrogation of a specific company (client, supplier etc) in the Payments Incidents Bureau database managed by the National Bank of Romania	Retail & Non-Retail customers - Small Business & Corporate
Cash Collection	Complete and efficient solutions for cash transport (pick-up) and other values: <ul style="list-style-type: none"> <li>- cash collections: meal vouchers, gift vouchers or social vouchers, checks and promissory notes through the BRD network or from working points</li> <li>- transport of values based on an agreed schedule</li> <li>- cash deposits in brd accounts</li> </ul>	Retail & Non-Retail customers - Small Business & Corporate

Product/service	Description	Sector and type of customers
	- cash supply at working points (only on request)	
Simplis Facturi	Represents a service made available to the Invoicer, in order to collect the invoices from their subscribers: private individuals and/ or legal entities, BRD clients or occasional BRD clients, through diversified collection channels (ROBO, MBA, ATM), BRD@ffice, YOU, Counter, POS.	Retail & Non-Retail customers - Small Business & Corporate
SogeCash	The possibility to send at BRD, payment instructions, in order to debit accounts opened with BRD through a preferred intermediary bank (Correspondent) and to receive account statements; The network through which the financial messages are transmitted (payments, statement at the end of the day and the Intraday situations) can be the SWIFT network or another communication channel agreed between BRD and Correspondent (ex: XML platform between BRD and Société General).	Retail & Non-Retail customers - Small Business & Corporate
Incasso–Export	Export documentary collection	Retail & Non-Retail customers - Small Business & Corporate
Incasso-Import	Import documentary collection	Retail & Non-Retail customers - Small Business & Corporate
MyBRD SMS	The banking service from BRD that provides information and alerts on bank accounts and changes to accounts directly from the mobile phone.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate
MyBRD Mobile	BRD mobile banking application which will be decommissioned and users are gradually moved to YOU BRD.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate
MyBRD Net	The internet banking solution that works on desktops and will be decommissioned along with MyBRD mobile and current users are gradually moved to YOU BRD.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate
YOU BRD	The online banking application that will gradually become an integrated omnichannel platform for BRD customers.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate

Product/service	Description	Sector and type of customers
MyBRD Contact	A service which allows you to interrogate the balance of the current account and the last transactions performed, automatically, via phone call.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate
Confort Insurance	Card insurance covering: Protection of your electronic equipment, Financial Security, mobile devices, keys and documents.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate
Life and health insurance	Life insurance for the loans.	Retail & Non-Retail customers - Private Individuals, Small Business & Corporate
Group Health and Group life insurance	Group insurances offering access to medical services for companies employees.	Non-Retail customers - Small Business & Corporate
Real estate insurance	Non-life insurance covering real estate properties.	Retail customers & Non-Retail customers - Small Business & Corporate
Eduplan & InvestBenefit+	Unit linked insurances investing in open end unit funds.	Retail customers
Letters of good standing	Documents issued by the Bank that contain information on the client's financial soundness	Retail customers & Non-Retail customers - Small Business & Corporate
Rental of safe deposit boxes	Device provided by the Bank in which the goods stored by the customers are kept in security conditions and the confidentiality of the operations performed is offered.	Retail customers - Private Individuals, Small Business and Corporate
Business Overdrafts	Overdraft loans (credit limit which allows multiple drawings and reimbursements, any time during the granting period) offered to Small Businesses and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Business Credit Cards	Credit Cards offered to Small Businesses and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Credit Lines	Revolving financing facilities offered to Small Business and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Working capital loans	Facilities with repayment schedule for financing the current activity of Small Business and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Credit ceilings	Short/medium term loans which offers the possibility of accessing multiple credit products, within the granted ceiling.	Retail customers & Non-Retail customers - Small Business & Corporate

Product/service	Description	Sector and type of customers
Short term credit facility/ overdraft facility	Current activity credit on short term, for Small Business and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Loans for seasonal agricultural campaigns	Short term loans adapted to Corporate Clients undertaking activities in the agricultural field.	Retail customers & Non-Retail customers - Small Business & Corporate
Factoring	Factoring financing products for Small Businesses and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
APIA loans	Pre-financing of state subsidies for agriculture (Small Business and Corporate Clients).	Retail customers & Non-Retail customers - Small Business & Corporate
Guarantee Letters	Off-balance sheet commitments for Small Businesses and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Governmental programs loans	Credit lines, Working Capital, Bridge loans and Investment loans under different governmental programs or having state guarantees (e.g., IMM Invest)	Retail customers & Non-Retail customers - Small Business & Corporate
Financial instruments	Credit lines, working capital, Investment loans benefiting of guarantees provided by international financial institutions.	Retail customers & Non-Retail customers - Small Business & Corporate
European Funds loans	Investment loans for EU funds investment projects (Eurobrd) for Small Businesses and Corporate Clients.	Retail customers & Non-Retail customers - Small Business & Corporate
Investment loans	Classical loan products for financing investments in equipment or real estate for Small Businesses and Corporate Clients).	Retail customers & Non-Retail customers - Small Business & Corporate
Sustainable finance	Loans and advisory services for bond issuances.	

**BRD Sogelease** is offering financial Leasing for SMEs, large corporates and professionals from all economic sectors and investment loans for SMEs, large corporates and professionals active in particular in sectors like Agriculture and transportation.

**BRD Sogelease** is offering

Product/service	Description	Sector and type of customers
Financial leasing	Financing offered for the purchase of vehicles and various equipment classes (agricultural, construction, medical, IT, material handling, others)	Companies, Professionals

Investment Loans	Asset based loans for the acquisition of agricultural equipment and heavy vehicles	Companies, Professionals
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**BRD Finance is offering the following products:**

Product/service	Description	Sector and type of customers
Loans for the purchase of goods	Loans for the purchase of goods from partner stores	Retail customers
Car loans	Loans for the purchase of new or used cars	Retail customers
Financial leasing	Financial leasing for the purchase of cars.	Retail customers

**BRDAM** ensures the management of Undertakings for Collective Investment in Transferrable Securities (UCITS), as follows:

Product/service	Description	Sector and type of customers
FDI Simfonia	UCITS	Private individuals & Companies
FDI Simplu	UCITS	Private individuals & Companies
FDI Actiuni	UCITS	Private individuals & Companies
FDI Global	UCITS	Private individuals & Companies
FDI Diverso	UCITS	Private individuals & Companies
FDI EuroFond	UCITS	Private individuals & Companies
FDI USDFond	UCITS	Private individuals & Companies
FDI Obligatiuni	UCITS	Private individuals & Companies

UCITS or ‘undertakings for the collective investment in transferable securities’ are investment funds regulated at European Union level. The legislative instrument covering these funds is Directive 2014/91/EU. Due to the intense regulatory process to have a fund approved as UCITS compliant by a regulator, the UCITS label serves as a stamp of quality and reliability for investors.

## 1.2. Economic Performance

2021 was a year of economic rebound fostered by better business conditions and sentiment, while the National Recovery and Resilience Plan, with first amounts already disbursed, should be a catalyst for further economic growth.

Within an improved context, BRD Group commercial activity was excellent across the board. Lending activity was intense, while the savings dynamic was marked by increasing volume and higher diversification. And with a ROE of 15.6%<sup>1</sup> and a progression of 37% of net profit, BRD Group delivered an excellent financial performance.

As of December 31, 2021, the Bank had 499 agencies<sup>2</sup> (31.12.2020: 584 agencies), which ensure the distribution of its products and services throughout the country. BRD had a market share of 10.5% in 2021, compared to 11.0% of total assets on December 31, 2020, according to the Bank's internal calculations.

### BRD Group Scale of the organization

	U.M	2019	2020	2021
Total number of employees <sup>3</sup>	no.	7,396.00	7,068.00	6,678.00
Total number of operations <sup>4</sup>	no.	648	584	499
Net sales	RON ths	3,269,908	3,088,006	3,117,689
Direct economic value generated <sup>5</sup>	RON ths	3,269,908	3,088,006	2,826,093
Economic value distributed <sup>6</sup>	RON ths	(1,677,537)	(1,588,007)	(1,466,714)
Economic value retained	RON ths	1,592,371	1,499,999	1,359,379
Total market capitalization	Mn RON	11,038.92	10,355.96	12,335.16

County	Number of BRD operations in 2021
Alba	7
Arad	11
Arges	24

<sup>1</sup> ROE based on equity adjusted with exceptional distribution (from the retained profits of 2019 and 2020)

<sup>2</sup> The reduction is the consequence of implementing the strategy of transforming the network of agencies by optimizing the number, increasing the average size, introducing new branch formats adapted to the new sales and service model and promoting a collaborative approach, in line with the banking market trend to move to a hybrid distribution model.

<sup>3</sup> Number of employees at 31 December.

<sup>4</sup> operations include number of agencies

<sup>5</sup> Net Banking Income

<sup>6</sup> Operating expenses and Income tax

Bucuresti	79
Bacau	10
Bihor	11
Bistrita Nasaud	7
Botosani	4
Braila	6
Brasov	21
Buzau	7
Calarasi	3
Caras Severin	7
Cluj	18
Constanta	19
Covasna	4
Dambovita	7
Dolj	18
Galati	9
Giurgiu	2
Gorj	8
Harghita	6
Hunedoara	11
Ialomita	4
Iasi	30
Ilfov	11
Maramures	14
Mehedinti	5
Mures	13
Neamt	8
Olt	7
Prahova	22
Salaj	6
Satu Mare	8
Sibiu	12
Suceava	11
Teleorman	5
Timis	24
Tulcea	3
Valcea	9
Vaslui	3
Vrancea	5
<b>Grand Total</b>	<b>499</b>

## Quantity of products or services provided

Product/service	Unit measure	2019	2020	2021
<b>Customer deposits</b>	<b>RON ths</b>	<b>45,898,751</b>	<b>49,957,754</b>	<b>52,683,581</b>
Retail	RON ths	30,352,256	33,708,531	35,988,622
Non-retail	RON ths	15,546,495	16,249,223	16,694,959
<b>Net loans w/o leasing</b>	<b>RON ths</b>	<b>30,292,868</b>	<b>29,642,998</b>	<b>32,913,875</b>
Retail	RON ths	22,070,371	21,691,843	22,719,007
<i>Individuals</i>	<i>RON ths</i>	<i>21,509,580</i>	<i>21,060,237</i>	<i>21,981,251</i>
<i>Small business</i>	<i>RON ths</i>	<i>560,791</i>	<i>631,607</i>	<i>737,756</i>
Non-retail	RON ths	8,222,497	7,951,154	10,194,868
<i>SME</i>	<i>RON ths</i>	<i>2,162,197</i>	<i>2,645,891</i>	<i>3,379,591</i>
<i>Large corporates</i>	<i>RON ths</i>	<i>6,060,299</i>	<i>5,305,264</i>	<i>6,815,277</i>
Financial lease (net)	RON ths	992,665	1,066,899	1,222,595
<b>Guarantees and other credit facilities granted</b>	<b>RON ths</b>	<b>8,843,043</b>	<b>9,025,364</b>	<b>11,262,122</b>
Letters of guarantee granted	RON ths	5,192,938	4,877,225	5,427,857
Financing commitments granted	RON ths	3,650,105	4,148,139	5,834,265
<b>Assets under management (BRDAM)</b>	<b>RON ths</b>	<b>4,803,146</b>	<b>4,250,131</b>	<b>4,935,469</b>
<b>Digitalization (number of remote banking unique active customers)</b>	<b>ths</b>	<b>598</b>	<b>734</b>	<b>883</b>

## 1.3. Ethics and Governance

### 1.3.1 Corporate governance

The governance of the BRD Group is ensured by the governance structures of each company within the Group. The most significant entity is the Bank.

**The Bank** has adopted the unitary system of administration in full harmony with the objectives of good corporate governance, of the transparency of relevant corporate information, of the protection of the interests of the various categories of participants and of an efficient operation on the banking market.

The internal governance of BRD is lined up with that of the parent company, Société Générale. BRD has adopted and applies, on a voluntarily basis, the provisions of Corporate Governance Code of the Bucharest Stock Exchange (BSE) and reports annually the compliance with its provisions.

Corporate Governance model adopted by BRD ensures:

- Observance of the shareholders' equal rights and treatment, by protecting and enforcing their prerogatives;
- Setting of the role and observance of the rights of the groups of interest, other than the shareholders;
- Setting the liability of the Board of Directors towards the credit institution and the shareholders, as well as its responsibility of supervising the activity of the Management Committee;
- Transparency and access to information, by the periodical publication, in a correct and real manner, of the relevant financial and operational information.

## **Corporate Governance Structures of the Bank**

### General Meeting of the Shareholders

The shareholders exercise their rights within the General Meeting of the Shareholders ("GMS" or the "General Meeting"), which is the highest decision-making body in the bank. The bank's shares are indivisible and confer equal rights to their holders, each share entitling to one vote in the General Meeting of the Shareholders. General meetings are called by the Board of Directors at least 30 days before the date set for the meeting.

The general meetings are an occasion for the members of the Board of Directors and the senior management to present to the shareholders the results obtained during their office, based on the responsibilities entrusted to them.

General meetings are ordinary and extraordinary. The Ordinary General Meeting of the Shareholders meets at least once a year, within no more than 4 months as of the end of the financial year, and the Extraordinary General Meeting of the Shareholders meets whenever necessary.

To ensure the equal treatment and the full and equitable exercise of the shareholders' rights, the Bank makes available to them all the relevant information related to the General Meeting of the Shareholders and to the adopted decisions, both by mass communication means and in the special section "shareholders and investors" on its own Internet page, which is easily identifiable and accessible.

General Meetings of the Shareholders are presided over by the Chairman of the Board of Directors or as the case may be, if the Chairman is in the temporary impossibility to exercise his/her/they duties, by the Chairman of the meeting elected by the Board of Directors to act as Chairman, thus enabling an open and efficient dialogue between the directors and the shareholders.

The rules regarding the works of the General Meeting of the Shareholders are established through the Procedure for organizing and running the general shareholders meetings, approved by the Board of Directors.

The powers of approval of the General Meeting of the Shareholders, the conditions of organization and of validity of its meetings are established in the Articles of Incorporation of the Bank, in compliance with the applicable legal and regulatory framework.

#### The Board of Directors (BoD)

The administration of the Bank is entrusted to the BoD (the management body in its supervisory position), which represents the interface between the shareholders and the senior management and, at the same time, the liaison between the members of the senior management and the categories of participants in the bank activity. The BoD has 9 members, of whom 1 executive member and 3 are independent non-executive directors. The candidates for the director positions are proposed by the members of the BoD or by the shareholders in the conditions stipulated by the legal provisions.

The members of the BoD are elected by the secret vote of the Ordinary General Meeting of the Shareholders for a 4-year mandate and they may be re-elected. The independent directors meet the independence criteria stipulated by Law 31/1990 on companies, the Bucharest Stock Exchange Code of Corporate Governance and NBR Regulation no. 5/2013 on prudential requirements for credit institutions. The new members of the BoD may perform their duties after they obtain the approval of the National Bank of Romania. The evaluation of candidates proposed for the director positions is the responsibility of the Nomination Committee and is based on a rigorous and transparent review process detailed in the “The selection, monitoring and succession policy regarding management body members”.

The BoD meets at least once every three months or whenever necessary. The Chairman of the BoD calls/presides over the meetings, coordinates the activity of the board and reports it to the General Meeting of the Shareholders. For the decisions of the Board of Directors to be valid, the actual presence of at least 5 members is required. The decisions are made with the majority of the directors, present in person or represented. In case of tie of votes, Chairman of the Board of Directors shall have the casting vote. The rules regarding the organization and functioning of the Board of Directors are set up in the Directive “Regulation of organization and functioning of the management body”.

The main roles of the Board of Directors, including those that cannot be delegated to the members of the senior management, are set by the applicable legal and regulatory framework, by the Articles of Incorporation and the internal regulations. The Board of Directors decides on the bank values and strategy, on the risk management policy, supervises the activity of the bank and of the senior management

*More information about the Board of Directors of the BRD Group can be found in the 2021 Annual Report of the Board of Directors and on the website [www.brd.ro](http://www.brd.ro), section Shareholders and Investors*

The members of the BoD:

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Competence	Other significant positions and commitments, and the nature of the commitments
Giovanni Luca SOMA	Non-executive	No	male	Chairman of the Board of Directors	<b>Member of various Committees set up to support of the Board of Directors activity:</b> Audit Committee and Remuneration Committee. He fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.
François BLOCH	Executive	No	male	CEO and Member of the Board of Directors	<b>Member of various Committees set up to support the Management Committee</b> (Assets and Liabilities Management Committee - Pdt, Risk Retail Committee, Internal Control Committee, Prices Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Crisis Committee – Chairman, Compliance Committee – Chairman, Climate, Environmental and Social Change Committee - Chairman, Data governance Committee, Benchmarks and Market Conduct Oversight Committee).  He fulfils the conditions regarding the number of mandates in companies established by the applicable law - he holds one executive mandate and one non-executive mandate within Société Générale Group.  <b>Member of CPBR's Board and Treasurer</b> (member since December 2018); <b>Board member and co-coordinator of Financial Services and Technology and Innovation Task Forces at FIC</b> (member since May 2019).
Benoît Jean Marie OTTENWALTER	Non-executive	No	male	Member of the Board of Directors	<b>Chairman of the Risk Management Committee.</b> He fulfils the conditions regarding the number of mandates established by the law - he holds one non-executive mandate within Société Générale Groupe.

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Competence	Other significant positions and commitments, and the nature of the commitments
Jean – Pierre Georges VIGROUX	Non-executive	Yes	male	Independent Member of the Board of Directors	<b>Member of various Committees set up to support of the Board of Directors activity:</b> Chairman of Audit Committee and member of Remuneration Committee. <b>He</b> fulfils the conditions regarding the number of mandates established by the law - two non-executive mandates: he holds one within BRD-Groupe Société Générale and one outside the Société Générale Group.
Liliana IONESCU-FELEAGĂ	Non-executive	Yes	female	Independent Member of the Board of Directors	<b>Member of various Committees set up to support of the Board of Directors activity:</b> Chairman of Remuneration Committee, member of Audit Committee and Nomination Committee. She fulfils the conditions regarding the number of mandates established by the law - one non-executive mandate within BRD-Groupe Société Générale
Bogdan-Alexandru DRĂGOI	Non-executive	Yes	male	Independent Member of the Board of Directors	<b>Member of various Committees set up to support of the Board of Directors activity:</b> Chairman of Nomination Committee and member of Risk Management Committee. <b>He</b> fulfils the conditions regarding the number of mandates established by the law – he holds one executive mandate outside Société Générale Group and two non-executive mandates – one within BRD-Groupe Société Générale and one outside Société Générale Group.
Valerie Marcelle Paule VILLAFRANCA	Non-executive	No	female	Member of the Board of Directors	<b>Member of BRD Nomination Committee</b> She fulfils the conditions regarding the number of mandates established by the law - one non-executive mandate within BRD-Groupe Société Générale.
Maria ROUSSEVA	Non-executive	No	female	Member of the Board of Directors	<b>Member of Risk Management Committee</b> She fulfils the conditions regarding the number of mandates established by the law – one executive mandate and one non-executive mandate within Société Générale Group
Aurore Brigitte Micheline GASPARD	Non-executive	No	female	Member of the Board of Directors	She fulfils the conditions regarding the number of mandates established by the law - one executive mandate and one non-executive mandate within Société Générale Group.

### Committees set up in support of the BoD

To develop and maintain good practices of business administration, the BoD set up four committees to assist exercising its prerogatives, chaired by a non-executive member of the Board of Directors who is able to exercise objective judgment. Each committee consists of at least three members. The delegation of powers by the Board of Directors to the committees set up to support its activity does not exempt the Board of Directors from fulfilling its tasks and responsibilities.

**1. Audit Committee** is a permanent committee, with consultative role in the field of internal control, financial audit, internal audit, risk management. The committee checks the measures adopted by the Management committee in order to remedy the deficiencies relating to internal control, non-compliance with the legal framework. As at December 31, 2021, the members of the Audit Committee are: Mr. Jean-Pierre Georges VIGROUX (Independent, Chairman), Mr. Giovanni-Luca SOMA (Member) and Mrs. Liliana IONESCU -FELEAGĂ (Independent Member). The Audit Committee meets on a quarterly basis or whenever necessary, at the initiative of the Committee Chairman.

The rules regarding the organization and functioning of the Audit Committee are set up in internal regulations.

The main responsibilities of the Audit Committee are:

- to formulate recommendations to the Board of Directors regarding the risk and business strategy and the policy of the credit institution in the field of internal control, as well as for the appointment/dismissal of financial auditor of the bank and the related remuneration terms;
- to check the timely adoption by the Management committee of corrective actions to remedy the deficiencies relating to internal control, non-compliance with the legal framework;
- to monitor the financial reporting process, being informed by the external auditor on the significant deficiencies of the internal control in this field and sends recommendations to ensure the integrity of the financial reporting process;
- to examine, with the help of the financial auditors and independently from the bank management, the drafts of financial statements (half-yearly, annual and consolidated annual statements), as well as the conditions for their drafting by the bank (relevance of the accounting principles, methods and standards applied, as well as of the internal data collection procedures);
- to verify and monitor the independence and objectivity of the statutory financial auditor of the bank;
- to supervise the activity of the financial auditor of the Bank, to assess and to monitor its independence, informs the Board of Directors about the results of the financial audit and explains how it contributed to the integrity of the financial reporting and what was the role of the Audit Committee in this process;

- to present to the Board of Directors notes about the main aspects analysed in the Audit Committee;
- to evaluate the conflicts of interests in Bank's transactions and its subsidiaries with the related parties and to submit to the Board of Directors its opinion on the related party transactions stipulated in the Board of Directors specific power;
- to assess the quality of internal control, especially regarding the assessment of risk and of risk control and to propose, if necessary, the measures to be taken.

**2. Remuneration Committee** is a permanent committee with advisory role, assisting the Board of Directors in fulfilling its responsibilities relating to the remuneration policy. As at December 31, 2021, the members of the Remuneration Committee are: Mrs. Liliana IONESCU -FELEAGĂ (Independent Chairman), Mr. Giovanni-Luca SOMA (Member) and Mr. Jean-Pierre Georges VIGROUX (Independent Member).

It meets annually or any time this is necessary. The rules regarding the organization and functioning of the Remuneration Committee are set up in internal regulations.

The main roles of the Remuneration Committee are:

- Reviews the policy of remuneration of the bank which also includes the identification of personnel whose professional activities have a significant impact on the Bank's risk profile and submits to the Board of Directors for approval;
- Makes proposals on the individual remuneration of non-executive members of the Board of Directors, as well as the additional individual remuneration of the directors entrusted with specific functions within the Board of Directors, and the individual remuneration of the officers;
- Directly oversees the remuneration of risk management and compliance managers;
- Supervises the application of the principles of the bank personnel remuneration and informs the Board of Directors regarding the results of the supervision.

**3. Risks Management Committee** is a permanent committee with advisory role that provides advice to the BoD on risk appetite and global management strategy of current and future risks of the bank and assists in overseeing the implementation of such strategy by the Management Committee. As at December 31, 2021, the members of the Risk Management Committee are Mr. Benoit Jean Marie OTTENWALTER (Chairman), Mr. Bogdan-Alexandru DRĂGOI (Independent Member) and Maria ROUSSEVA (Member).

The meetings of the committee take place on a quarterly basis or any time it is necessary. The rules regarding the organization and functioning of the Risk Management Committee are set up in internal regulations.

In performing its duties, the Risk Management Committee:

- checks whether the prices of products offered to clients take into full account the business model and strategy of the bank in terms of risk management and submits to the management body plans to remedy the deviations / inconsistencies identified;
- checks (without prejudice to the duties of the remuneration committee) whether the incentives offered by the remuneration system take into account the risks, the capital, the liquidity and the likelihood and timing of profits;
- it is involved (without prejudice to the tasks of the Remuneration Committee) in the process of identifying personnel whose professional activities have a significant impact on the Bank's risk profile in terms of responsibilities and related activities and submits its proposals to the Remuneration Committee;
- sets the risk management framework and ensures through adequate procedures, risk management standards and methods that the risks are managed within the limits set forth. The recommendations adopted within the RMC will be documented and approved by the Management Committee and the Board of Directors, as applicable;
- oversees the implementation of measures, standards and methods of enforcement of the risk management framework, ensures that the risk is prevented and proposes risk mitigation and control measures;
- submits to the Management Committee and the Board of Directors, at least annually, a synthesis regarding the aspects that could significantly impact the risk profile of the bank.

**4. Nomination Committee** is a permanent advisory committee assisting the BoD in achieving its responsibilities regarding the selection, evaluation and sequencing of the management body members (Management Committee and Board of Directors). As at December 31, 2021, the members of the Nomination Committee are: Mr. Bogdan-Alexandru Drăgoi (Independent Chairman), Mrs. Liliana IONESCU -FELEAGĂ (Independent Member) and Mrs. Valerie VILLAFRANCA (Member).

The Nomination Committee meets half-yearly or whenever necessary. The rules regarding the organization and functioning of the Nomination Committee are set up in internal regulations.

In exercising its powers, the Nomination Committee:

- identifies, makes proposals and submits for approval by the Board of Directors or the General Meeting of Shareholders the nominees to fill positions within the management body;
- is involved in formulating the policy on the selection, monitoring and sequencing of the management body members of the bank and the policy on the assessment of key personnel which is submitted to the Board of Directors for approval;
- assesses the balance of knowledge, skills, diversity and experience within the management body, prepares a description of roles and skills required for nomination on a particular position, and assesses the fulfilment of the commitments undertaken by the members of the management body in terms of time allocated for the exercise of their responsibilities;

- assesses periodically and at least once a year, the knowledge, skills and experience of each member of the management body and of the management body as a whole and reports to the Board of Directors accordingly;
- periodically revises the selection, monitoring and succession policy of the members of the management body as regarding the selection and the nomination of the members of the Management Committee and makes recommendations to the Board of Directors;
- participates, on an ongoing basis, in the process of identifying personnel whose professional activities have a significant impact on the Bank's risk profile, by providing the Remuneration Committee with adequate information regarding the members of the management body, including by reporting their responsibilities.

### Management Committee

The operational management and the coordination of the daily activity of the bank are delegated by the BoD to the executive officers. The executive officers of the bank are elected by the BoD among the directors or from outside the Board, and together they represent the Management committee. The Management committee is made up of 8 executive officers, of whom a Chief Executive Officer (CEO). The Management committee is run by the CEO. Each executive officer is vested with all the powers to act on behalf of the Bank and to represent it in the relationships with third parties, in any circumstances related to the activities they coordinate, in compliance with the legal provisions and Articles of Association.

To ensure a management that is as efficient as possible, and a good cover of the business fields of the bank, each executive officer has authority over certain activities of the bank and directly coordinates internal structures of the bank, set by the Board of Directors.

The meetings of the Management committee take place at least once every two weeks, or any time the activity of the bank requires it. For the validity of the decisions of the Management Committee, the presence of at least 5 members of the Management Committee is required. The decisions of the Management Committee are made with votes "FOR" of at least half of the members of the Management Committee. The CEO shall have the casting vote in case of tie of votes.

The Executive Officers attend to the meeting personally. Voting cannot be delegated within the meetings of the Management committee. The members of the Management Committee may also attend to the meeting by remote communication means (videoconference, conference call, etc.). In exceptional cases, justified by the emergency of the situation and by the interest of the Bank, the decisions of the Management Committee may be made by the written vote of the members, under the conditions of paragraphs 2 and 6 of the article 34 of the Bank's Articles of Incorporation, without it being necessary to call a meeting of the respective body, after they have been completely informed on the issues on the agenda. The rules regarding the organization and functioning of the Management Committee are set up in internal regulations.

### *Roles and responsibilities*

- The Management Board is in charge of the executive management of the bank, of the management and control of its activities and operations;
- Ensures the implementation of the strategic lines approved by the BoD regarding the development of the bank, the management and control of the risks associated to its activity;
- Maintains an adequate organizational structure and information flow required in the bank and makes proposals for the amending thereof, which it submits to the BoD for approval;
- Ensures adequate and effective monitoring of the functioning of the internal control system, with the responsibility to establish a detection system of internal control deficiencies and undertake measures for solving such deficiencies.
- Notifies the BoD of the bank's activity on a permanent basis.

The General Secretariat (SEGL) - under direct authority of the CEO, is the structure responsible for coordinating the CSR governance at BRD level. It also acts as point of contact with internal and external stakeholders on sustainability/CSR/ESG topics. The General Secretariat, headed by the Secretary General, also coordinates the sustainability reporting activity of the Bank, thus also ensuring the monitoring of the progress on sustainability topics. For that reason, SEGL is responsible for coordinating the activity of setting the progress indicators on sustainability. The reporting of various sustainability topics to SG is also coordinated by SEGL.

To streamline communication within Bank's structure, a CSR correspondents' group has been created. The representatives of each structure are the ones responsible (yet not fully) for CSR activities within their own structure. In order to ensure its CSR strategy and actions are in line with latest developments, the Bank has created a Committee for Climate Change, Environment and Social topics. *More information about this committee are available at p.115.*

## Members of the Management Committee

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Competence	Other significant positions and commitments, and the nature of the commitments
François BLOCH	Executive	No	male	CEO and Member of the Board of Directors	Please see the section “Board of Directors” of the present Report.
Yves Jean Guenole LALLEMAND	Executive	No	male	Deputy CEO	<b>Member of various Committees set up to support the Management Committee</b> (Assets and Liabilities Management Committee, Internal Control Committee, Prices Committee, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee). He fulfils the conditions regarding the number of mandates in companies established by the applicable law - one executive and one non-executive mandate within BRD Group.
Alexandru-Claudiu CERCEL-DUCA	Executive	No	male	Deputy CEO	<b>Member of various Committees set up to support the Management Committee</b> (Assets and Liabilities Management Committee, Internal Control Committee, Prices Committee, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee, Benchmarks and Market Conduct Oversight Committee- Chairman). He fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale.
Mihai Tiberiu SELEGAN	Executive	No	male	Deputy CEO	<b>Member of various Committees set up to support the Management Committee</b> (Work Health and Security Committee - Chairman, Follow-up Committee – Chairman, Internal Control Committee, Crisis Committee, Projects Review Committee, Carrier Committee, Innovation Committee, Communication Committee, Customer Board Committee, Data Governance Committee, Climate, Environmental and Social Change Committee).

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Competence	Other significant positions and commitments, and the nature of the commitments
					He fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale.
Stéphane Benoit FORTIN	Executive	No	male	Deputy CEO	<p>Member of various Committees set up to support the Management Committee (Assets and Liabilities Management Committee, Internal Control Committee, Prices Committee, Crisis Committee, Projects Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board, Data Governance Committee, Climate, Environmental and Social Change Committee).</p> <p>He fulfils the conditions regarding the number of mandates established by the law- one executive mandate and two non-executive mandates as follows: one non-executive mandate within BRD Group and one non-executive mandate outside Société Générale Group.</p>
Radu Octavian TOPLICEANU	Executive	No	male	Deputy CEO	<p><b>Member of various Committees set up to support the Management Committee</b> (Assets and Liabilities Management Committee, Risk Retail Committee, Internal Control Committee, Prices Committee, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee).</p> <p>He fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale.</p>
Philippe Yves Henri Pierre Marie THIBAUD	Executive	No	male	Deputy CEO	<p><b>Member of various Committees set up to support the Management Committee</b> (Assets and Liabilities Management Committee, Risk Retail Committee, Internal Control Committee, New products Committee – Co-Chairman, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data</p>

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Competence	Other significant positions and commitments, and the nature of the commitments
					Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee). He fulfils the conditions regarding the number of mandates established by the law- one executive mandate within BRD-Groupe Société Générale and two non -executive mandates outside Société Générale Group.
Mirela Virginia MEDELEAN	Executive	No	female	Deputy CEO	<b>Member of various Committees set up to support the Management Committee</b> (Internal Control Committee, Crisis Committee, Project Review Committee, Carrier Committee, Communication Committee, Innovation Committee, Customer Board Committee, Data Governance Committee, Compliance Committee, Climate, Environmental and Social Change Committee).  She fulfils the conditions regarding the number of mandates in companies established by the applicable law - one executive mandate within BRD Groupe - Société Générale.

### Committee's set-up to support the Management committee

The committees set up to support the Management Committee assist it in performing its attributions on various business lines, particularly on the operational activity of the Bank. The members of these committees are: the members of the Management Committee and the management of the structures affected.

The most important committees are:

**1. Internal Control Committee** is a permanent consultative committee, which has as main task to analyze and to monitor the adequacy of the Internal Control activity, including the business continuity and the crisis management through the perspective of the organizing / functioning, the results obtained and the deficiencies found in the internal control activity. In order to fulfil its mission, the main themes submitted to the debate in the Committee Are: operational risks, the activity continuity and the crisis management, managerial supervision, managerial supervision of accounts, audit, risk of conformity and reputational, IT security, the deficiencies found through the supervision reports / minutes of the authorities, protection of personal data.

**2. Assets and Liabilities Committee** is a permanent consultative committee, which assist the Management Committee in performing its attributions related to the management of the assets and liabilities, of the liquidity and sources of financing, of the structural risk (interest rate risk and exchange rate risk outside the trading portfolio) and capital management, both at the Bank and at the BRD's group level.

**3. New Products Committee** is a permanent consultative committee that ensures the identification, the analysis and the reliable measurement of the risks associated to the new products, offered to the Bank's clients, including the changes of the existent products.

**4. Pricing Committee** is a permanent consultative committee whose mission is to analyze and propose measures to the Bank's decisional bodies on policy and pricing strategy (commissions, interest) regarding the bank's products, taking into consideration the budgetary targets, the competitive environment, the commercial strategy and market developments.

**5. Risk Retail Committee** is a committee whose mission is to formalize the measures proposed by Bank's structure in order to improve the bank's retail lending activities.

**6. Customer Board** is a permanent consultative committee dedicated to customer experience, which aims to ensure at the level of the whole Bank the efficiency of the process of improving the quality of the experiences offered to the clients, from the perspective of the feedback received from the clients.

**7. Compliance Committee** is a permanent consultative committee whose main mission is to analyze the way in which the compliance risk is managed, including the presentation of the deficiencies found in the compliance control activity.

**8. Climate Change, Environmental and Social Change Committee** is a permanent consultative committee whose main mission is to carry out strategic CSR analyzes by reporting to the Bank's objectives, in order to present to the Management Committee, the measures for implementing the CSR strategy in this area. The mission includes making proposals for setting the Bank's objectives, adopting the relevant regulatory framework, monitoring the Bank's commitments, communication and any other topics related to environmental, climate and social issues. The committee was established in 2021 and is chaired by the CEO. The Committee has been held three times in 2021, with topics discussed as follows: ESG roadmap, CNSM Report on Green Finance, UNEP FI Report on testing the applicability of EU Taxonomy to core banking products, EU Taxonomy preparation etc. In order to implement the CSR Group policy and to ensure a follow-up of its performance, there are more structures established at the Bank level. Details about these structures and their attributions are available in section "Sustainability Strategy"

Other committees: Crisis Committee, Safety and Occupational Health Committee, Tracking of the Projects Portfolio Committee, Follow-up Committee, Career Committee, Communication Committee, Innovation Committee, Data Governance Committee and Benchmarks and Market Conduct Oversight Committee.

**The selection of candidates for positions within the BoD and the Management Committee, also named Management Body,** is made through a rigorous process as defined in *"The policy of suitability of the members of the Management Body and persons holding key functions and the policy of induction and training of the members of the Management Body"*. The main objective of the selection process is to ensure the suitable candidates for the vacant positions in the Management Body or to ensure the succession of the existing members.

The selection of the candidates excludes any discrimination on gender, age, ethnicity or any other kind of discrimination, stipulated by the law. Criteria such as reputation, theoretical knowledge and practical professional experience in specific areas of BRD's activities, diversity, ensure a suitable structure of the management body.

The selection of independent directors is subject to compliance with the criteria stipulated by the Companies' Law no. 31/1990, the NBR Regulation no. 5/2013 on prudential requirements for credit institutions and by the Bucharest Stock Exchange Code of Corporate Governance.

The responsibility for the selection processes, monitoring and planning of the succession for the Members of the Management Body is at The Nomination Committee which actively contributes to the conduct of these processes.

In the assessment or continuous reassessing of the suitability at individual and collective level of the members of the Management Body, the Nomination Committee will assess, with the potential contribution of Human Resources Department (DRU), Risk Management Department (RISC) and General Secretariat, as the case may be, the development and quality of the induction and training process provided to the Management Body in accordance with this policy and the objectives set.

The responsibilities of this committee are defined in Directive N1D63 - Organization / functioning and responsibilities of committees set up to support the BoD activity.

### **Developing and strengthening the knowledge of the BoD and Management Committee**

The Group is implementing different workshops and training to ensure the development and strengthen the knowledge of the members of the BoD on a wide range of topics that may be of interest to it and that can support it in the efficient management of the activities carried out at Group level, such us:

- Workshops on organizational culture with CA and Top management to propose values and cultural statement of the organization;
- On line trainings: Fight against corruption, Combating inappropriate behavior: fundamentals, Code of conduct, International sanctions, Competition law - contact with competitors, Anti-money laundering/counter terrorist financing-awareness, Combating the financing of terrorism, Information security group, Understand the disciplinary framework, Building AI Powered Chatbots Without Programming, Measures and rules for the protection and prevention of Covid, Principles of Sustainable Finance /Coursera.
- Coaching for the top management - for the new appointed Deputy CEO

### **Evaluating the performance of the BoD and Management Committee**

The evaluation process<sup>7</sup> considers monitoring the activity of members and the Management Body as a whole, in order to achieve performance indicators and competencies, planning development actions to improve activity and planning the succession of Members.

The Bank through the Nomination Committee, under the final responsibility of the BoD, continuously monitors adequacy of members of the Management Body in order to identify, in the context of any relevant new element, the situations in which it has to re-evaluate their adequacy. The Nomination Committee must carry out an adequacy reassessment at least annually. The Bank documents each assessment and reassessment, including their outcome, and any action taken as a result of the assessment / reassessment, and the outcome of the assessment / reassessment, the reasons for initiating the reassessment, and any recommendations for identified deficiencies are documented and presented to the Management Body. When the Bank's assessment or reassessment of adequacy identifies minor deficiencies in meeting the knowledge, skills and experience requirement of the assessed or reassessed persons, the Bank promptly takes appropriate remedial measures to eliminate deficiencies. If the assessment or reassessment shows that the Management Body is not adequate at collective level, the Bank immediately takes the necessary remedial measures.

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<sup>7</sup> The evaluation is made by the Nomination Committee composed of 2 independent directors and a non-independent director.

To evaluate / re-evaluate the adequacy, at individual and collective level, of the persons proposed as members of the Management Body / who hold the status of members of the Management Body, the Nomination Committee may request input, including relevant information received from other committees, such as the Risk Management Committee and the Audit Committee, as well as other functions such as the internal control functions, the human resource function, the legal function. As well, SEGL supports the Nomination Committee in order carry out the evaluation / re-evaluation process of the Management Body and its members. The Board of Directors is responsible for establishing the final evaluations / re-evaluations regarding suitability.

The Nomination Committee assesses the suitability, at individual level, of members of the Management Body when significant changes occur in the composition of the Management Body, including:

- a) The appointment of new members of the Management Body, including as a result of direct or indirect acquisition or an increase in qualified holding in a credit institution. This evaluation is limited to newly appointed members;
- b) At a new appointment of the members of the Management Body, if the requirements of the position have changed or if the member is appointed to a different position within the Management Body. This assessment is limited to members whose positions changed and to the analysis of relevant issues, taking into account any additional requirements for that position.

Nomination Committee re-evaluates the suitability at individual level of the members of the Management Body in the following cases:

- a) when there are concerns about the suitability, at individual or collective level, of the members of the Management Body;
- b) in case of an event with a significant impact on the reputation of a member of the Management Body or of the Bank, including in cases where the members do not respect the BRD policy regarding the conflict of interests;
- c) as part of the review of the activity management framework by the Management Body;
- d) in any other situation that may significantly affect the suitability of the member of the Management Body.

The Nomination Committee re-evaluates the allocation of sufficient time by a member of the Management Body if that member assumes an additional mandate or begins to carry out relevant new activities, including political activities.

The Nomination Committee assesses or reassesses the suitability, at collective level, of the Management Body, in particular when there are significant changes in the composition of the Management Body, including:

- a) the appointment of new members of the Management Body, including as a result of a direct or indirect acquisition or an increase in qualified holding in a credit institution;

- b) a new appointment of the members of the Management Body, if requirements of the position have changed or if the members are appointed for another position within the Management Body;
- c) when the appointed or reappointed members cease to be members of the Management Body.

The Nomination Committee assesses or reassesses the suitability, at collective level, in particular in the following cases:

- a) when there is a significant change in the Bank's business model, risk appetite or risk management strategy or individual or group structure;
- b) as part of the review of the activity management framework by the Management Body;
- c) in any other situation that may significantly affect the suitability, at collective level, of the Management Body.

The Nomination Committee periodically, but at least once a year, re-evaluates the following:

- a) the structure, size, composition and performance of the Management Body and makes recommendations to it regarding any changes;
- b) good reputation, knowledge, skills and experience, honesty, integrity, independent thinking, time allocated by each Member of the Management Body;
- c) the knowledge, skills and experience of the Management Body as a whole and reports to the Board of Directors accordingly.

If a person holds several positions in the Management Body, the evaluation will be performed for each of them.

The evaluation / re-evaluation process of the suitability for Members focuses on at least the following aspects:

- a) assessment of the understanding degree of the structure and activity of the Bank and group companies;
- b) the evaluation of the effective contribution of each Member, of the constructive involvement in the discussions carried out and the decisions adopted, as well as their presence in the meetings of the Management Body and of the committees of which they are part;
- c) the evaluation of the activity taking into account the evolution of the Bank's activity and of the banking environment;
- d) behavioral and managerial evaluation in accordance with the rules of a prudent and healthy banking practice;
- e) knowledge improvement.

The evaluation/ re-evaluation process of the Management Body focuses on at least the following aspects:

- a) the evaluation of the performance of the Management Body, of the way in which it works, of the committees set up in its support, as well as of the efficiency of the information flow;
- b) verifying the adequacy of the structure, size and composition of the Management Body in relation to any changes in the Bank's activity, as well as deficiencies in individual and collective suitability, taking into account the Bank's business model, risk strategy and their changes;
- c) assessment of the balance of knowledge, skills and experience within the Management Body;
- d) diversity assessment within the Management Body;
- e) verifying the manner in which the important aspects of the Bank's activity are prepared and discussed, including the verification how the Management Body acts in the interest of the Bank and focus on the important strategic objectives.
- f) analyzing the independence of the members of the Management Body, including the requirement that the decision-making process is not dominated by any individual or small group of persons and the compliance by the members of the Management Body of the conflict-of-interest policy.

When reassessing the individual and collective performance of the members of the Management Body, at least the following must be taken into account:

- a) the efficiency of the Management Body's work processes, including the efficiency of information flows and reporting lines to the Management Body, taking into account the contributions of the internal control positions, including any monitoring actions or recommendations made by these positions;
- b) the effective and prudent administration of the Bank, including whether the Management Body acted in such a way as to pursue the interests of BRD;
- c) the capacity of the Management Body to focus on the important aspects from a strategic point of view;
- d) the adequate number of meetings held, the degree of participation, the allocation of sufficient time and the intensity of the involvement of the members of the Management Body during the meetings;
- e) any change in the composition of the Management Body and any deficiencies in terms of suitability at individual or collective level, taking into account the Bank's business model and risk management strategy, as well as their changes;
- f) the performance objectives set for the Bank and the Management Body;
- g) independent thinking of the members of the Management Body, including the requirement that the decision-making process is not dominated by a member of the Management Body or a small group of members of the Management Body, as well as

compliance of the members of the management body with the policy on conflict of interest;

- h) the extent to which the composition of the Management Body meets the objectives set out in the policy on promoting diversity;
- i) any events that may have a significant impact on suitability, at individual or collective level, of the members of the Management Body, including changes in the business model, strategies or organization of BRD.

### **Corporate Governance structures of BRD Finance**

**The General Shareholders' Meeting** is a deliberative body and represents all the company shareholders. General meetings are ordinary and extraordinary and are convened by the BoD

The Ordinary General Meeting is convened at least one per year, at most, five months after the financial year is closed, and the Extraordinary General Meeting is convened whenever a decision must be made for the issues in its express competency.

The Company is managed in a unitary system by the BoD in accordance with the provisions of the law and of the Articles of Incorporation.

The board consists of 5 (five) members, of whom 1 executive member and 1 independent non-executive director, elected by the Ordinary General Meeting of the Shareholders for a period of 4 (four) years, with the possibility to be re-elected.

The candidates for the director positions are proposed by the members of the BoD or by the shareholders in the conditions stipulated by the legal provisions.

The BoD meets at least once every three months or whenever necessary. The Chairman of the BoD calls/presides over the meetings, coordinates the activity of the board and reports it to the General Meeting of the Shareholders. For the decisions of the BoD to be valid, the actual presence of at least 3 members is required. The decisions are made with the majority of the directors, present in person or represented. In case of tie of votes, Chairman of the Board of Directors shall have the casting vote.

The main roles of the BoD, including those that cannot be delegated to the members of the executive officers, are set by the applicable legal and regulatory framework, by the Articles of Incorporation and the internal regulations. The BoD decides on the company strategy, on the risk management policy, supervises the activity of the company and of the executive officers, prepares the annual report, nominates and revoke the executive officers.

The members of the BoD:

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Competence
François BLOCH	Non-executive	No	male	Chairman of the Board of Directors
Marc Claude Christophe REY	Executive	No	male	CEO and Member of the Board of Directors
Mariana Flavia POPA	Non-executive	No	female	Member of the Board of Directors
Aurelian DOCHIA	Non-executive	Yes	male	Independent Member of the Board of Directors
Eric DHOSTE	Non-executive	No	male	Member of the Board of Directors

**The operational management** and the coordination of the daily activity of the bank are ensured by two executive officers: the CEO (Mr. Marc Claude Christophe REY) and the Deputy CEO (Mrs. Oana Monica MOISE), which act separately.

The executive officers are in charge of taking all the measures required in running the company, within the limits of the company object and in compliance with the exclusive competences reserved by the law or by the articles of incorporation to the BoD and to the General Meeting of the Shareholders.

#### **Committees:**

**1. Audit Committee** It is a permanent committee, with consultative role, which assists the BoD in exercising its prerogatives in the field of internal control, financial audit, internal audit.

It is made up of three non-executive members of the BoD, of which one independent members. The Chairman is an independent member of the BoD.

The members of the Audit Committee are appointed by the General Meeting of the Shareholders.

The Audit Committee meets on a quarterly basis or whenever necessary, at the initiative of the Committee Chairman.

**2. Risks Management Committee** is a permanent committee with advisory role that provides advice to the BoD on risk appetite and global management strategy of current and future risks of the company.

Risks Management Committee is set up by the BoD decision.

The members of the Risks Management Committee are the executive officers of BRD Finance and the managers of the departments / services whose activity is subject to significant risks

The members of the Risks Management Committee have the experience required by the specific roles they have within the committee.

The meetings of the committee take place on monthly basis.

### **3. Occupational Safety and Health Committee**

It meets on a quarterly basis or whenever necessary.

## **Corporate Governance structures of BRD Sogelease**

The General Meeting of the Shareholders is the governing body of the Company, deciding on its activity and ensuring its economic and commercial policy in accordance with the applicable law and with this Articles of Incorporation. The General Meetings are ordinary and extraordinary.

The Company is managed in a unitary system by the BoD in accordance with the provisions of the law and of the Articles of Incorporation. The board consists of 5 (five) members, elected by the Ordinary General Meeting of the Shareholders for a period of 4 (four) years, with the possibility to be re-elected. The BoD may assign some of its powers to the Executives and it may use experts to study certain issues. The members of the BoD may be natural or legal persons, Romanian or foreign citizens. The appointment and replacement of the directors shall be exclusively done by the General Meeting of the Shareholders.

The Chairman of the Board of Directors coordinates the activity of the Board and reports on it to the General Meeting of Shareholders. He oversees the proper functioning of the organs of society. The Chairman shall be appointed for a term not exceeding its mandate as Director.

Decisions regarding the appointment or dismissal of the Chairman of the BoD shall be taken by a majority vote of the members of the Board of Directors present.

The Managers of the Company are the three Executives Officers (the CEO and 2 Executive Officers) elected and approved by the BoD, who may be Romanian and/or foreign natural persons, who are empowered to manage and coordinate the daily activity of the Company and they are invested to represent the Company, in accordance with art. 5 let. b) of Law no. 93/2009 on non-bank financial institutions.

The Managers are in charge for taking all the measures related to the management of the Company, within the limits of the object of activity of the Company and by complying with the exclusive powers provided for by law or by the Articles of Incorporation to the BoD and to the General Meeting of the Shareholders. The activity of the BoD is supported by two committees: Audit Committee and Risk, Internal Control & Compliance Committee.

The Audit Committee is a permanent committee with advisory role, which assists the BoD in fulfilling the specific responsibilities of internal control, internal audit and risk management.

The Audit Committee consists of 3 (three) non-executive members of the BoD, of which one member is independent. The Chair of the Audit Committee is appointed by its members and is independent of the audited entity. Its members are appointed by the General Meeting.

Risk Management, Internal Control & Compliance is a permanent committee, with advisory role, established by the decision of the BoD, which manages significant risks, risks with significant impact on the patrimonial and / or reputational situation of the non-banking financial institution (credit risk, market risk, operational risk and reputational risk), as well as the risk of compliance, internal control and the risks associated with outsourced activities.

The members of the Risk Management, Internal Control and Compliance Committee are: CEO (Chairman of the Committee), Commercial Director, Financial & Administrative Director, Risk Director, Operation & IT Services Director, The Secretary General (Head of Compliance).

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Other significant positions and commitments, and the nature of the commitments
Frederic Nicolas BANCO	Executive	NO	M	CEO of BRD Sogelease and Member of the BoD
Stephane Benoit FORTIN	NON-executive	NO	M	Member of the BoD and Audit Committee of BRD Sogelease
Ionela COSTICA	NON-executive	YES	F	President of the Audit Committee of BRD Sogelease and Member of BoD
Yves Jean Guenole LALLEMAND	NON-executive	NO	M	Chairman of the BoD and of the Audit Committee of BRD Sogelease
Reinhold Günther Manfred KNÖDL	NON-executive	NO	M	Member of the BoD

## Corporate Governance structures of BRDAM

The Governance structure of BRDAM is including the General Shareholders Meeting, the BoD, three supporting committees - Audit Committee, Remuneration Committee, and Nomination Committee - and Executive Management.

The BoD has the obligation to establish relevant criteria for monitoring the results of the activity of the Executive Management.

The Executive Directors are responsible also for ESG decisions across the company. There are two persons involved in ESG-related initiatives: Deputy CEO and Product Manager that are directly responsible to the BRDAM BoD. Mihai Purcarea is the Chairman of the BRDAM BoD and CEO. The

Nomination Committee at BRDAM level is the structure with specific legal regulation on nomination and selection processes for both governance bodies and key functions.

BRDAM's current remuneration policies and practices are based on the following principles:

- take into account individual and collective performance;
- aligns the interests of the company, customers, employees and shareholders and ensures the avoidance of conflicts of interest;
- encourages sound and efficient risk management and consideration of investors' interests, as well as their fair treatment.

Remuneration decisions take into account the performance assessment on the basis of quantitative and qualitative objectives of assessing behavior in terms of compliance with applicable regulations, including internal rules and, in particular, those relating to professional ethics.

The Remuneration Committee:

- has unlimited access to all the data and information regarding the design and implementation of the remuneration system;
- has unlimited access to the information and data coming from the control functions;
- ensures the proper involvement of the control functions in the development and proper operation of the Remuneration Policy;
- provides, where appropriate, information to the General Shareholders' Meeting regarding the activities carried out;
- is responsible for monitoring the implementation of the Remuneration Policy.

According to the remuneration policy mentioned in fund prospectuses, BRDAM establishes and implements a Remuneration Policy that is compatible with the sound and effective management of risks, including in terms of sustainability risks, which does not encourage taking on risks that are incompatible with the risk profile of the Managed Funds. Remuneration policy is not self-assessed, but is annually audited. All fund documentation is notified to Financial Supervisory Authority (KID<sup>8</sup> is updated at least annually). The last audit did not result in any measure for the remuneration policy and no other actions conducted to modifications of organizational practices.

The remuneration of non-executive members of the BoD is approved by the General Meeting of Shareholders and consists of fixed monthly allowance. Furthermore, an additional remuneration could be paid to independent non-executive members of the BoD. Non-executive members of the BoD do not receive variable remuneration. Non-executive members of the BoD form the Remuneration Committee.

Executive Management is described as "Identified staff" according to ESMA guide and strict provisions regarding variable remuneration, malus and claw-back issues are applicable (deferral

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<sup>8</sup> Key Information Document

period, fund units equivalent payable after a 1-year period). No guaranteed termination payments are in place.

Name of the member	Executive / Non-executive	Independent (Yes/No)	Gender	Other significant positions and commitments, and the nature of the commitments
Mihai Purcarea	Executive	No	Male	BoD
Marius Stoica	Non-executive	No	Male	BoD, Remuneration Committee, Audit Committee
Iancu Guda	Non-executive	Yes	Male	BoD, Remuneration Committee, Audit Committee, Nomination Committee
Mihaela Ungureanu	Executive	No	Female	Investment Committee
Alexandru Combei	Non-executive	No	Male	Investment Committee
Codruta Cracea	Non-executive	No	Female	Nomination Committee

### 1.3.2. Risk Management

The Group's risk management governance is based on the following dimensions:

- Risks are taken within the defined risk appetite approved by the BoD
- Strong involvement of the Bank's management body in the risk management system and promotion of risk culture, throughout the entire organizational structure, from the BoD down to operational teams.
- Clearly defined internal rules and procedures.
- Communication of information regarding risk management across the organization in a timely, accurate, comprehensible and meaningful manner.
- Continuous supervision by an independent risk function to monitor risks and to enforce rules and procedures.

Risk governance relies on the three lines of defense model, which reinforces segregation of duties between various control functions.

The first line of defense is represented by the business units, which are primarily responsible for the ongoing management of the risks arisen in conducting their daily activities, taking into account the Bank's risk appetite and its policies, procedures and controls. The Business Integrity Support Division provides support to business units for the implementation of managerial supervision, ensuring monitoring and reporting of results at Bank wide level.

The second line of defense is represented by the independent functions overseeing risks, which are responsible for further identifying, measuring, monitoring, and reporting risks, ensuring compliance with internal and external requirements and providing support to the business/operational functions in executing their duties. The second line functions, which perform the management of significant risks, are as follows:

- Risk Management Structures - responsible for direct management of credit risk, risks associated with credit risk, market risk and operational risk and oversee the evolution of all significant risks as implied by normative frame within BRD.
- Finance Department - manages liquidity risk, structural risks (interest rate risk and FX<sup>9</sup> risk in banking book), strategic risk and excessive usage of leverage effect risk. As coordinator of the budgeting and capital planning processes, it ensures that the liquidity, capital and business strategy are consistent with the risk appetite statement.
- Legal Department - is accountable for the legal risk management,
- Information Systems Department and Information Security Division - manage IT risks (as components of operational risk)
- Compliance Department - manages the compliance and reputational risks
- Personal Data Protection Cell

Although the responsibility for the management of risks within the Bank is shared between the structures of the second line of defense (as mentioned above), Risk Management Structures perform the role of the centralized risk management function, by delivering the Bank's wide holistic view on all risks, ensuring that the risk strategy is complied with.

The third line of defense is represented by the internal audit function, which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework. Internal audit function reports to and operates under the mandate of the BoD.

Risk management is governed by the Management Body of the Bank and assisted by the Audit Committee and the Risk Management Committee. Specialized committees also assist the Executive Committee in accomplishing their risk management and control responsibilities.

The risk and business strategy of BRD is approved by the BoD, which sets the risk appetite and tolerance levels and ensures that the Management Committee properly transposes them at operational level.

The Audit Committee plays a crucial role in the assessment of the quality of the internal control. It is responsible for examining the internal framework for risk monitoring to ensure its consistency and compliance with procedures, laws and regulations in force.

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<sup>9</sup> Foreign exchange

The Risk Management Committee advises the BoD with regard to Bank's overall current and future risk appetite, oversees senior management's implementation of the risk strategy, reports on the state of risk culture in the Bank and interacts with and oversees the activity of the centralized risk management function.

The BoD delegates the day-to-day management of BRD to the Management Committee. This is responsible for the implementation of the strategies approved by the BoD and ensures that a proper organization and informational flows are in place.

Main specialized committees assisting the Executive Committee in managing the risks are: the Assets and Liabilities Committee, the Crisis Committee, the New Products Committee, the Internal Control Committee, the Retail Risk Committee, the Steering Committee and the Data Governance Committees.

*More information about the activity of the supporting committees of the Management Committee is available in section "Governance Structures").*

The main risks managed by BRD Group are presented in detail in the Annual Report 2021 at p. 55.

BRD Group implemented in 2021 a materiality process presented in detail in the section "Materiality Process". One of the results of this process was the identification of the sustainability risks, but these do not have a significantly influence on the performance and development of the BRD Group.

## Climate Risks

The sustainability challenges that the world is facing are huge, as reflected by the recent IPCC report<sup>10</sup>, many of the changes observed in the climate are unprecedented in thousands, if not hundreds of thousands of years, and some of the changes already set in motion—such as continued sea level rise—are irreversible over hundreds to thousands of years. On the environmental front, climate change, land-use change, biodiversity loss and depletion of natural resources are destabilizing the earth system. Next, poverty, hunger and lack of healthcare show that many people live below minimum social standards. Thus, the case for an active contribution of the financial sector to the transition to a low carbon and more circular economy is becoming more and more compelling.

In terms of the climate change risks - transition risks, physical risks and liability risks -, SG Group and BRD have adopted the definitions given by the Task Force on Climate-related Financial Disclosure (TCFD).

**Physical risk** refers to acute risks (event driven) or chronic (long-term shifts) temperature-related, wind-related, water-related or solid waste-related risks;

**Transition risk** refers to potential financial impact from the low carbon transition. Transition risk means the financial risks which could result from the process of adjustment towards a lower-

<sup>10</sup> <https://www.ipcc.ch/2021/08/09/ar6-wg1-20210809-pr/>

carbon economy. Changes in policy, technology and physical risks could prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent.

**Liability risk** are the impacts that could arise if parties who have suffered loss or damage from the effects of climate change seek compensation from those, they hold responsible.

The Group does not view the risks associated with climate change as a new risk category but rather an aggravating factor for those categories already covered by the Bank's risk management system (credit risks, operational risks, reputational risks, insurance risks, etc.).

BRD manages its direct impact on climate, via its own operations and through its activities. For its activities related to corporate clients, the climate-related risk is part of the Environment and Social (E&S) risk management process approved by the Management Committee, covering clients and transaction risk assessment process, within the defined perimeter of application. *More details about E&S risk assessment are available in the report section "Environmental, social and climate risk assessment and Sustainable financing and ESG investments".*

### 1.3.3. Business Ethics

The Bank is committed to a high level of compliance with relevant legislation, regulation, banking standards as well as internal directives/ procedures/ instructions and sound corporate governance principles. The Bank monitors the anti-bribery and corruption risks via dedicated tools such as annual assessments, periodic controls and by periodic indicators, all of them being reported to the BoD as well as in different committees of the Bank (Internal Control Committee, Audit Committee, and Compliance Committee).

The Bank measures the risk of misconduct by setting up a conduct dashboard and indicators reported periodically in Compliance Committee. The Bank also has a staff training program, which is including ABC learning and a dedicated training session for staff which is mostly exposed to corruption and bribery risks and requires its staff to be vigilant and enforce zero tolerance policy on corruption matters, including by prompt incident reporting and whistleblowing channels.

SG Group performs its activity in an ethical manner, in accordance with all applicable laws, including anti-corruption, anti-bribery and influence peddling regulations, in all the countries where the Group operates. As part of SG Group, all the companies within BRD Group joined mirrored those in BRD Principles (<https://bit.ly/3tgzeXH>).

While encompassing the SG Group ABC (Anti-Bribery and Corruption) standards, BRD Group has consolidated the governance framework on anti-corruption by organizing dedicated governance structures as well specific roles in this area. In concurrence with governance strengthen, the internal framework in the ABC field has been further elaborated, as several ABC initiatives have been implemented starting 2019 (internal regulations, controls, reviews, IT applications, etc.).

BRD monitors the ABC risks via dedicated tools such as annual assessments and by periodic indicators, which are periodically reported to the management via different committees. It also trains the employees on ABC topics, in order to fight corruption and requires its staff to be vigilant and enforce zero tolerance policy on corruption matters, including by prompt incident reporting and whistleblowing channels. Any act of corruption or any act of traffic of influence is strictly forbidden in BRD.

The Bank's has a secure web-based whistleblowing channel that provides for the protection of personal data and strict confidentiality. The channel is also accessible to BRD staff and service providers who will be able to report alerts by filling out a web form on the BRD website.

Furthermore, the Group maintains a secure web-based whistleblowing platform that provides for the protection of personal data and strict confidentiality. For Bank's personnel, the right to 'blow the whistle' should also be exercised by using the employee's direct or functional (indirect) line of authority or by directly reporting to the Chief Compliance Officer ("CCO").

Compliance is a permanent member in new products Committee, all the new products being assessed from the risks related to corruption. The role is to assess all the new products and outsourced activities from compliance perspective, including ABC risks. No significant ABC risks were identified during the reporting period.

To ensure the respect of the BRD Group procedures and policies for managing anticorruption, this are communicated to all staff, including the Management Body. Also, regular training is ensured to the employees and all Management Body, especially to the category of staff which are most exposed to corruption risks. At suppliers and business partner, the procedures and policies regarding the anticorruption are ensured by dedicated clauses in the signed contracts.

Also, no significant ABC risks were identified during the reporting period at BRD Group level. Regarding the anticompetitive behavior, BRD has in place a Competition Policy Directive according with the recommendations of the competent authorities, supplementary to the competition internal norms in force at SG Group level. The Competition Directive<sup>11</sup> deals with the principles of Competition Law, as well as some specific topics from potential competition-risk areas given the specifics of the BRD activity.

All the structures of the Bank acknowledge and obey the provisions of the internal regulatory documents concerning competition, respect the competition principles stated therein and request compliance and legal advice whenever they find themselves in a high competition risk situation.

The Compliance function is also involved in the topic, given their role within the Bank, as well as the Legal Department/Competition Compliance Programme Officer, who deals with the legal aspects of any competition topic. The Compliance Department should be notified about any

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<sup>11</sup> The BRD Competition Directive is not publicly available, being an internal document.

competition compliance incidents, in accordance with the bank's regulatory framework concerning the identification and management of compliance incidents/dysfunctionalities.

Any employee who has doubts about potentially anticompetitive situations encountered during the daily activities should suspend making any decision and ask clarification in the command hierarchy, from the Compliance Department or to the Competition Compliance Programme Officer appointed within the Legal department.

The following steps were either taken or envisaged regularly to ensure effective implementation:

- Trainings for all high-competition risk BRD personnel – in this respect, tailor-made trainings were provided to all relevant employees, depending on the particularities of their activity;
- A control system in place for the most relevant high competition risk areas;
- An assessment of certain activities/practices with potential of raising competition concerns within BRD, in order to monitor or address them, as well as improve the Directive with specific best practices to be followed by relevant entities.

BRD Sogelease was sanctioned in an investigation launched by the Competition Council in 2017. The decision was communicated in April 2021 and the deed and the fine are contested in court by the company, the case is currently pending. For the other companies within the BRD Group there are no other legal actions for anti-competitive behavior, anti-trust, and monopoly practices.

The BRD Group has in place specific rules regarding the avoidance of the conflict of interests.

Furthermore, at the Bank level, the members of the BoD/Management Committee shall only act in the best interest of the Bank and shall make decisions without being influenced by any interests of their own that can occur while performing their duties. No member of the BoD/Management Committee shall use in their own interest the business opportunities they become aware of in the normal course of their business. The members of the BoD/Management Committee who, in a certain operation, whether directly or indirectly, has interests that are contrary to the interests of the bank shall notify the other members of the BoD/Management Committee in this respect, by written statements as per the law and shall not take part in any deliberation regarding the said operation. Also, to avoid the occurrence of conflicts of interests, the bank has established a set of rules of conduct to be complied with both by the members of the BoD and by the Management Committee of the bank.

To avoid conflicts of interest and protect the interests of shareholders, the BoD has adopted the Policy on related party transactions. Under this policy, the related party transactions are concluded on fair terms that respect competition law and are subject to the same pricing rules and competences applicable to the transactions with non-affiliated parties.

The transactions with related party whose value places them in the competence of the Board of Directors' approval are prior the approval reviewed by the Audit Committee from the conflict of interest perspective.

Also, to set a preventive and secured action framework for market operations performed by persons who, on account of their position within the Bank, have access to privileged information, the bank established a series of professional ethics rules which must be observed by the directors, officers and the other persons with access to privileged information, in order to avoid the breach of the legal framework applicable to trading with financial instruments issued by BRD. This framework also includes setting periods during which it is forbidden to perform transactions using financial instruments issued by BRD before the periodical reports of the Bank are published, as well as establishing the obligation to report those transactions.

### **BRD Sogelease**

The internal procedure "Conflict of interest" implemented at BRD Sogelease level, according to the Group principles, define the rules of managing possible circumstances of conflicts of interest, in which BRD Sogelease and the employees can be involved during (The procedure provides, based on the guidelines established in the BRD Code of Ethics, the types and criteria for identifying conflicts of interest that may arise between BRD Sogelease staff and clients as well as the rules and measures that may be applied to ensure the proper management of conflicts of interest). This procedure is in line with the provisions of Directive Code of Ethics of BRD in force, applicable to BRD Sogelease by internal decision no. 5 / 24.06.2016, as well as in line with the instructions of SG Group regarding the prevention and management of conflicts of interest (SG Guidelines for Conflict of Interest Mapping and Conflict of Interest Register, including relevant templates).

The provisions of this procedure apply to all staff of BRD Sogelease. The definitions set out in BRD Code of Ethics apply accordingly in this procedure as well.

### **BRDAM**

The board approves all regulations regarding management of conflict of interest. Regulations reveal any potential conflict of interest and mitigating factors. On a case basis, as well as annually, there are declarations to be submitted by all employees and members of the board. Each professional activity performed outside BRDAM must be validated by Compliance Division.

Two of the responsibilities of the entity:

- 1) in managing the funds' performance consists of avoiding any conflicts of interest, and, where they cannot be avoided, making sure that the Managed Funds enjoy fair and impartial treatment.
- 2) Identifying and managing potential conflicts of interest that could harm investors' interests.

The remuneration policy is also designed to avoid conflict of interest.

BRDAM has the obligation to ensure compliance with transparency requirements by publishing different kind of information on the website.

### **1.3.4. Preventing financial crime, cyber security and data protection**

#### **Preventing financial crime**

BRD is engaged in the fight against fraud and considers this effort as a fundamental part of its policy, along with a general commitment to initiate and maintain business relationships in full compliance with applicable laws and standards of ethics and integrity, managed by the Bank through the Control functions.

Fraud risk management is part of the general Bank's risk management and encompass all the principles that should be taken and respected by all employees.

In order to prevent and reduce the fraud risk and the associated risks, and also impose the conduct needed to prevent and identify the frauds, all the Bank employees are responsible for learning, assumption, enforcing and implementation of **fraud risk management policy**, whether their labour relations are established through individual contracts on undetermined period, on limited period, full time or part-time working program, temporary employment, working home contracts, apprenticeship contracts. To comply with BRD Policy of fraud risk management is also mandatory for persons in relation with the Bank (detached from other employers to provide work in the BRD during the detachment period, persons in temporary relation with bank provided by labour agencies under a disposal contract, service providers having contractual relation with the bank, and staff conducting practice or other professional internships in the Bank's units, without limiting to doctorates, pupils or students).

This **fraud risk management policy** presents the main guidelines to manage the fraud risk (internal and external) in BRD, establishing the general principals applied by the bank in the fight against fraud: definition, objectives, evaluation instruments, control, conduct, roles and responsibilities, internal regulation framework, in accordance with legal regulations, the reality of the markets where the bank operates and with the policies in the field of SG Groupe.

The main objective of managing the fraud risk is to reduce exposure to such risk and to the associated risks, by implementing actions for preventing fraud, by mitigating the impact if the fraud cases occurred, by early detection of potential fraud or occurred fraud and by recovery the loss from any operation/action taken in scope to fraud the Bank, SG Groupe or their clients. Also, the management of fraud risk aims to create a stable and safe environment for the Bank and its clients/partners through effective antifraud approach and to facilitate the creation of an organizational culture that protects the bank's reputation and values.

Antifraud Bank's strategy is to entirely cover "antifraud process" in accordance with the best international standards in the field, legal requirements and polices / code of SG Group, starting with prevention and detection, finalizing with investigation and remediation of fraud. BRD is based on integrity, high standards of ethic, promoting bank' values, respecting internal regulatory framework and laws, in order to achieve specific quality objectives and to achieve targeted performance.

BRD has zero tolerance for any type of fraud, which means that all suspected incidents of fraud are thoroughly analyzed / investigated.

Compliance functions worldwide are under pressure to do more work and provide greater assurance with limited resources. The answer is to make the investment in compliance go further by managing the right blend of people, technology and processes.

Compliance mandate in BRD increased in the last 3 years in order to be able to cope with an overregulated environment, demanding Group projects and the dynamics of the bank as well as the department transformation program, in addition to local dynamic economic environment.

The Compliance Department changed its business model starting with 2019, while achieving a maturity phase of this transformation process in 2021. Proper integration of compliance advice in the normal course of banking processes, as well as advertising on this advice as investment rather than burden, add value to the projection of sound business practices.

The effects of the COVID-19 pandemic affected numerous aspects of most of the businesses, including the compliance risk and their compliance programs. A modernization of the compliance program that combines new technologies and new approaches, keeping both of them in alignment with bank goals, can generate a measurable value proposition for the compliance function.

**AML (anti money laundry) area** is amongst the top concerns of regulators, with increasing requirements and also recently changing regulations. Lack of compliance on financial crime regulations may result, depending on the severity of the breach, in fines of up to 10% of annual revenues and other sanctions, including withdrawal of authorization.

The top financial crime trends for 2021<sup>12</sup> are:

- COVID-19 frauds – the crisis created an environment where fraudsters easily target individuals and financial institutions.
- Drug trafficking - In June 2020, the United Nations Office on Drugs and Crime released a report saying nearly 300 million people worldwide used drugs, a 30% increase from a decade earlier.
- Crypto frauds - Beyond separating victims from their money with promises of spectacular low-risk gains, schemes will include hacking of cryptocurrency exchanges and wallet theft.
- Digital payment risk - With lockdowns worldwide, the use of cash in 2020 fell, while digital payments more than doubled in some countries. Digital payments are easy and fast, making them convenient to consumers and attractive to fraudsters who apply their experience with social engineering, phishing, and identity schemes to e-payments.

Amongst the current local schemes in money laundering, we note:

- newly established companies held by non-resident customers who do not seem to have any business activity in Romania while their account movement shows transitory transactions;

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<sup>12</sup> Source: <https://riskcanvas.com/5-fincrime-trends-for-2021/>

- several companies registered at the same address without an apparent reason registering incoming funds followed by cash withdrawals;
- companies doing business with the State with suspicions of corruption;
- suspicions of tax evasion;
- international incoming payments made on accounts of different persons, which are used as transitory/intermediary accounts and in the end the funds are withdrawn in other countries.

In BRD, we constantly revisit the efficiency and effectiveness of the scenarios targeting money laundering patterns with the help of the monitoring tool. This assessment exercise is done yearly. New money laundering trends – if identified – are managed either via the monitoring tool or aside the tool, in periodic review exercises.

The normative framework is updated regularly from policies and procedures to operational guides meant to give a higher degree of details on the workflows and ensure consistency in the approach. Money laundering patterns are presented to all staff via a quarterly newsletter, creating awareness on money laundering risks and highlighting on red flags to be reported upon when identified during day to day activities handling client accounts or requests. Live training sessions

On the correspondent banking activity side, we implemented a tool which has already gone through some fine tuning actions to better isolate on alerts related to money laundering patterns concerning transactions in which BRD is a transitory bank.

In prior years, the Bank has taken the first steps for developing artificial intelligence algorithms with promising results. The bank aims at implementing such models into the day-to-day processes. Such models can be used either in the alerts analysis process (treatment of alerts, thus reducing the number of false alerts) or to generate alerts themselves and also during periodic account review of customers.

For 2021, we did identify a need to get a more close communication to regional and group management as well as business centers. So, we organized training sessions discussing on practical money laundering cases.

**Know Your Customer (KYC) and Sanctions & Embargo (S&E)** areas are vital components of a bank's compliance program. Banks and other financial institutions experienced record-breaking fines (> 300 billion EUR in the last 10 years worldwide) for breaching the KYC/S&E laws this leading to damaged business reputation, loss of customers and even the suspension of the operating license.

Besides the wave of increased global regulation on the Know Your Customer (KYC) area, the pandemic context came over and added a significant pressure on using alternative channels for the customer onboarding and KYC data review processes.

Emerging trends on KYC and CFT areas:

- *Due diligence has become a lot more focused and stringent* for each category, e.g. retail, corporate, small & medium enterprises (SMEs), money service businesses (MSBs), charities, correspondent banks and so on.
- Facial recognition, OCR, and *forensic scan based digital identification and verification (IDV) solutions got accelerated* with COVID-19 induced proliferation of digital services.
- From external data collation to comparison with customer provided data, verification from source (e.g. Company Registries) or third party databases, generation of corporate and ownership structures, ultimate beneficial owners, network graphs, risk scores and other insights, *the solutions will look to integrate with the bank due diligence workflow* and will eliminate the need for analysts to spend time on data gathering and allow them to make intelligent decisions based on the analytical insights.
- In today's dynamic digital world, waiting for 1, 3 or 5 years to review and refresh customer data exposes the bank to risks of outdated customer information in the interim. The present decade is aiming at conducting near-real time reviews of customers and their activities, based on dynamic event based triggers. This mechanism of incremental updates to customer profile every time there is an identified material change, gathered from internal or external data sources, promises to *keep customer risk profiles dynamically current*.
- *Data stands at the ground of running compliance*. And given the exponential volume, variety and velocity of data that needs to be processed for conducting dynamic KYC of millions of customers in any bank, AI based solutions are the only way forward. From contextual matching of adverse media, to insights generation from integrated internally and externally sourced data, visualizing complex ownership structures and beneficial owners, niche digital solutions will form the building blocks of dynamic KYC platforms.
- *Indirect transactions with sanctions nexus* – sharing identified risks in a regulated manner within the local market has become vital, as risk of contamination between financial institutions is high.

The measures taken to address these risk are:

- a. Calibrate screening mechanism to reduce false positives and focus on real exposures
- b. Integration of multiple tools used in the KYC process into one single platform for easy usage and improved customer experience
- c. Support digitalization of onboarding and periodic review process
- d. Focus on data quality issues from inception until remediation
- e. Improve time to answer by further optimizing the KYC business model by automation.

All the three pillars of compliance – people, process, technology – are set to undergo a paradigm shift across the industry as we step into the new decade and will be strongly driven by data and powered by AI. Human oversight will get more sophisticated, shifting from data collation and review to decision based on visualizations and analytical insights

## Cyber security

In Digital Security, BRD Group is fully aligned to the global SG Group policies implemented for managing cybersecurity.

In BRD, the activity is managed by CISO – Director of Information Security Direction. Information Security Division is the governance and level II team for Information Security. A team dedicated for Operational Security is reporting to Chief Technology Officer.

To fight cybercrime, the Bank has implemented solutions to protect the assets and transactions of its customers (individuals and legal entities), as well as the personal data of its customers, employees and suppliers.

BRD Group constantly strives to adapt its security measures to enhance the protection of its customers against information security threats. Thus, there have been significant improvements in the prevention, detection and response to cyber-attacks, which are growing significantly internationally, accentuated by the context of the pandemic.

As an example, BRD Groupe is one of the few Romanian commercial banks offering a free security solution for its remote banking applications, for both legal entities and individuals, also acting to raise awareness on the topics of information security through the contractual clauses of the “Remote Bank” services and through the BRD institutional website.

During 2021, the Information Security Division has been engaged in raising awareness on information security topics for internal users (regular Onboarding training for newcomers to the Bank, organized together with Human Resources Department; "Security hours" awareness sessions for BRD Headquarter; dedicated training for BSC and FIN departments; presentations for GDPR training sessions, organized in conjunction with Data Protection and Legal) and periodically anti-phishing exercises for BRD and Affiliates.

During 2021 also, BRD has contributed to increasing its partners' responsibility for information security, by strengthening the specific information security clauses systematically included in the contracts in which BRD is the beneficiary, from the moment of selection.

Periodic information of the customers on the phishing and malware attack campaigns, through multiple channels: SMS, e-mail, applicative push messages, institutional sites and newsletters.

*Starting December 2015, BRD Groupe Société Générale SA has a PCI DSS certification as „Service Provider Level 1”.*

*Also in 2021, the IT Pole of BRD Groupe Société Générale has documented and renewed two important certifications for the Bank: ISO27001:2013, regarding the secure management of information and PCI-DSS, essential for the relationship with the authorities and traders in Electronic Cards activity.*

## **Data Protection**

In the last years, BRD Group went through a complex process for GDPR implementation and continuously improves its operations involving the processing of personal data in order to comply

with European and national data protection legislation. The main purpose is to be compliant with law requirements, to avoid financial losses as a consequence of fines applied by the authority (ANSPDCP), reputational losses, and possible negative impact on data subjects. For the management of data protection, the Bank has in place internal policies<sup>13</sup> which are reviewed annually and are submitted to the BoD and/or Management Committee's approval.

Personal data collected from data subjects (e.g., customers, potential customers, collaborators, partners, employees, candidates for open positions within the bank, etc.) is processed only for specific purposes on which data subjects were clearly informed. When necessary, the Bank collects the consent from data subjects.

The Bank has implemented processes aimed to efficiently respond to exercising of rights requests and to manage potential data breaches.

A Data Protection Officer (DPO) has been appointed since the application of GDPR, monitoring the compliance of Bank's operations at central level, in close cooperation with Legal and Compliance departments. Beside the DPO, at Bank level have been appointed Data Protection Correspondents within central business structures. Data Protection Correspondents ensure the operational tasks of the activity carried out by the DPO, including the following: providing necessary information to keep the Processing Register up to date, support for preparing responses to requests for exercise of rights received from data subjects, providing advice and support to business departments regarding the assessment of the impact on data protection, analysis and documentation of security breaches, involvement of DPO in all activities that require this thing. For local affiliates, even they have appointed their own DPO or not (for the latter case being nominalized only a Data Protection Correspondent with the above responsibilities), the activity is closely monitored and Group's rules and principles are applicable. From the projects performed during the last year may be considered personal data update online through BRD site.

Also, at Bank's level is developed a GDPR Program, monitored quarterly by BRD's Top Management through a dedicated Steering Committee, program within which are assured the implementation, improvement of different privacy requirements, and the management of transversal projects involving privacy aspects.

Some of these tasks are linked to performance assessment.

The Bank has taken measures to continuously improve the security of its applications in order to keep pace with technological developments. Moreover, the selection process of services/goods providers that could have access to Bank's data considers only the third parties that have implemented adequate technical and organizational measures to keep Bank's data secure.

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<sup>13</sup> Public policy regarding personal data processing and information notice for different categories of clients and/or processing: <https://www.brd.ro/prelucrarea-datelor-cu-caracter-personal>  
Group public policy  
[https://www.privatebanking.societegenerale.com/fileadmin/user\\_upload/SGPB\\_2019/SG\\_Group\\_Data\\_Policy.pdf](https://www.privatebanking.societegenerale.com/fileadmin/user_upload/SGPB_2019/SG_Group_Data_Policy.pdf)

The technical and organizational measures implemented by the Bank to secure the personal data include the following:

- Information notice made available both in agencies and published on Bank's website
- Offering the possibility for data subjects to express consent and exercise their rights through various channels (bank units, website, email, etc.)
- Implementation of cookies consent on Bank's website
- Encryption of data at rest and in transit
- Developing a comprehensive training program including on-line and e-learning for all employees
- Implementation of privacy by design/by default process, including performance of privacy impact analysis for sensitive processing and minimization of data
- Granting access to data to employees based on need-to-know basis
- Periodic revision of access rights
- Performance of penetration tests in order to timely detect vulnerabilities of exposed applications
- Implementation of a normative framework aimed to the protection of personal data
- Set up of data protection unit within the Bank in order to monitor compliance with regulation and spreading the privacy culture by appointing data protection correspondents within each structure, etc.

The data subjects may exercise their rights regarding the personal data as granted by GDPR through the communication channels provided by the Bank (agencies, contact center, complaints, electronic form available on the Bank's website, by contacting directly at [dataprotection@brd.ro](mailto:dataprotection@brd.ro) or [pdpo@brd.ro](mailto:pdpo@brd.ro) in the case of employees).

The activity (requests from data subjects other than employees) is coordinated by Quality Department within the General Secretariat with the support of the Data Protection Cell.

Requests received from employees / collaborators are processed by the Human Resources Department with the support of the Data Protection Cell. Data subjects may be clients, former clients, legal representatives, employees, candidates, guarantors etc.

Complaints concerning breaches of customer privacy and losses of customer data - BRD	Unit measures	2019	2020	2021
Number of complaints, concerning breaches of customer privacy, received from outside parties and substantiated by the organization.	Number	4	24	12

Number of complaints, concerning breaches of customer privacy, from regulatory bodies.	Number	17	5	1
Total number of identified leaks of customer data.	Number	21	10	4
Total number of identified thefts of customer data.	Number	48	51	16
Total number of identified losses of customer data.	Number	approx. 10,800	approx. 8,300	approx. 5,350

At BRDAM level there were not incidents regarding data privacy in the reporting period. BRDAM has common procedures and policies related to personal data with BRD GSG.

At BRD Sogelease level there were not incidents regarding data privacy in the reporting period. BRD Sogelease implemented internal procedures and policies related to personal data in line with BRD GSG and legislation in force.

### 1.3.5. Respect for human rights

BRD Group is one of the main employers at national level and one of the largest banks in Romania. The way the Group operates creates an impact on employees and their families, on customers and suppliers, and on the entire community. For the BRD Group, respect for human rights is one of its main values, developing and implementing a clear framework of procedures and norms that ensure their observance both within all the organizations in the Group and at the level of its suppliers. For this reason, the respect of human rights is one of the BRD Group CSR policy priorities and to ensure that it is fully grounded in the way the entity operates, specific training is regularly organized for most employees.

BRD Employee training on human rights policies or procedures	Unit measures	2019 <sup>14*</sup>	2020*	2021	
a. Total number of hours devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations.	Number	18,709	27,448.5	18,713.5*	12,293**
b. Percentage of employees trained period in human rights policies or procedures concerning aspects of human rights that are relevant to operations.	%	61.47	97.33	96.82	98.02

\*CODE OF CONDUCT module

\*\*Combating inappropriate behavior: Fundamentals

<sup>14</sup> Some training courses started in 2019 and were finalized in 2020.

Another notable example is the Code of Conduct, in which the BRD Group is committed to respecting human rights and the rules established by the International Labor Organization. In fact, the BRD Group pursues the same policies and processes developed by Société Générale in relation to respect for human rights. As part of Société Générale Group, BRD Group conduct its business with the utmost respect for the values under:

- the Universal Declaration of Human Rights and its additional commitments;
- the fundamental conventions of the International Labour Organization (ILO);
- the UNESCO World Heritage Convention;
- the Guidelines for Multinational Enterprises of the OECD (Organization for Economic Co-operation and Development);
- the United Nations Guiding Principles on Business and Human Rights

Additionally, in accordance with the rules of the SG Group, BRD Group undertakes to inform its partners about its CSR policy and to conduct business relations only with those partners who respect the principles of CSR of BRD or who express their willingness to work on the implementation of similar standards. Specifically, this means including specific contractual clauses by which the partners take note of the provisions of the Code of Conduct and the Charter of Responsible Procurement and undertake to comply with provisions at least similar to those of these documents. The insertion of these clauses is mandatory for all contracts with a value higher than 50,000 euros.

Also, following the SG Group's approach, the Bank has implemented an E&S risk management process, reflected in a dedicated instruction, applicable to a certain perimeter of Bank's clients and transactions/services. Risks of environmental and social nature are defined as the risks of serious harm (actual or potential) or negative impact on (i) human rights and fundamental freedoms, (ii) health and safety of individuals (employees, individuals, clients) and (iii) environment (air, water, soil).

*More information about E&S risk management process are available at p.125.*

BRD is committed to maintaining and improving the systems and processes that enable it to ensure respect for human rights in operations and human resources management, in its supply chain and its products and services.

### **1.5. Sustainability Strategy**

As a part of SG Group which is a signatory to the United Nations (UN) Global Compact since 2003, BRD Group is fully committed to integrate these principles relating to human rights, working conditions and the fight against corruption in all its activities and to actively promote the principles within the value chain.

Furthermore, BRD Group supports and contribute meeting the objectives UN Sustainable Development Goals (SDGs), recognising their importance in addressing the biggest societal challenges of the world. Thus, the BRD Group contributes to the following UN SDGs:

- **SDG 3. Ensure healthy lives and promote wellbeing for all at all ages.**
- **SDG 4. Quality education.**
- **SDG 5. Achieve gender equality and empower all women and girls.**
- **SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all**
- **SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**
- **SDG 9. Industry, innovation and infrastructure.**
- **SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable**
- **SDG 12: Responsible consumption and production.**
- **SDG 13. Climate action.**

UN SDGs	SDG Targets	BRD Group measure
SDG 3. Ensure healthy lives and promote wellbeing for all at all ages	3.2.	Employees benefits – more details in the section “Responsible employer”
	3.3.; 3.6.	Employees health and safety – more details in the section “Responsible employer”
	3.9.	GHG emissions – more details in the section “Direct environmental impact”
SDG 4. Quality education	4.3	Employees number of training hours – more details in the section “Responsible employer”
SDG 5. Achieve gender equality and empower all women and girls	5.1.	Total number and rate of new employee hires - more details in the section “Responsible employer” Total number of employees that were entitled to parental leave - more details in the section “Responsible employer”
SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all	7.2.	Total fuel consumption within the organization from non-renewable and renewable sources - more details in the section “Direct environmental impact”. The amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives - more details in the section “Direct environmental impact”.
SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	8.1.	Direct economic value generated and distributed – see section “Economic performance”
	8.6.	Total number and rate of new employee hires - more details in the section “Responsible employer”
SDG 9. Industry, innovation and infrastructure	9.1	Direct economic value generated and distributed – see section “Economic performance”

SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable	11.2.	The financing projects and investments supported – more details in the section “Environmental, social and climate risk assessment and Sustainable financing and ESG investments”
SDG 12: Responsible consumption and production	12.2	Total fuel consumption within the organization from non-renewable and renewable sources and the total energy consumption - more details in the section “Direct environmental impact”.
SDG 13. Climate action	13.1	Total fuel consumption within the organization from non-renewable and renewable sources and the total energy consumption and GHG emissions - more details in the section “Direct environmental impact”.  The financing and investments supported – more information in the section “Environmental, social and climate risk assessment and Sustainable financing and ESG investments”.

Additionally, by the transactions concluded in 2021 and presented in the section “*Environmental, social and climate risk assessment and Sustainable financing and ESG investments*”, BRD has brought its contribution to the following SDGs: SDG 3 - Ensure healthy lives and promote wellbeing for all at all ages, through the healthcare sustainability linked loan financing; SDG 7 - Ensure access to affordable, reliable, sustainable and modern energy for all and SDG 13 - Climate action, through the renewable energy; SDG 7 - Ensure access to affordable, reliable, sustainable and modern energy for all and SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable, through green buildings and energy efficiency projects and clean transportation transactions.

In the following year, BRD Group wants to increase its contribution to these global objectives and establish more actions through which will better contribute to their achieving. Within the report, the Group contribution to the UN SDGs is correlated with the specific sustainability aspects, presenting also more details about its involvement.

Through the Corporate Social Responsibility (CSR) policy established, BRD reinforces its assumed role in society: a reliable partner for its employees, customers and suppliers that the Group support to achieve their dreams and goals and a factor of progress for the economy, the environment and the future Romanian society. Through the CSR policy the BRD supports development, innovation and sustainability for both the Bank and its internal and external stakeholders.

In developing and implementing its CSR policy, BRD builds on seven values and principles and the above-mentioned UN SDGs.

The seven BRD values and principles:

- Client first – Trustworthy partners for our customers
- Integrity – Always do the right thing

- Care— We care about our people
- Team spirit – We are One Team built on mutual trust
- Innovation – we believe in simplicity
- Responsibility – we lead by example and courage
- Commitment— We hold ourselves, with professionalism, to the highest standards

For BRD Group and SG Group mitigating climate change is one of the most important global objectives to which it can contribute considering the financing products and solution it can offer to support the transition to a low-carbon and less-intensive resource consumption economy in line with the objectives of the European Green Deal, the Paris Climate Change Agreement and the EU climate targets. As a consequence, SG Group become a stronger supporter and a direct contributor to the main international initiatives that fight against climate change and encourage climate change mitigation measures. Thus, in 2017, SG adopted the Principles for Positive Impact Finance (UNEP-FI) and become a supporter of the recommendations of TCFD.

In 2019, adhere to the Katowice commitment to align financing portfolios with global climate objectives and joined, as the first French bank, the Climate Bonds Partner Programme, an international network of financial actors working with Climate Bonds to shift investment towards a low-carbon and climate resilient economy. In the same year, SG Group signed the Poseidon principles that promote low carbon emissions for the global shipping industry, by integrating climate objectives into portfolio management and bank lending decisions. And in 2020, Group is aligned with the Paris Agreement and helped found the Net Zero Banking Alliance in April 2020. As part of the SG Group, BRD Group supports and acknowledges all these international initiatives, striving to contribute to the achievement of these ambitious objectives.

In addition to the fight against climate change, the BRD Group also supports other environmental issues, such as biodiversity. SG Group has implemented a special cross-sector policy on biodiversity conservation which applies to all Group banking and financial operations, including the ones developed by BRD Group in Romania, and involves procedures for reviewing dedicated transactions (for which the underlying asset is known and fit in the perimeter of evaluations) and customers.

As a direct consequence, Environmental and Social (E&S) standards apply to all activities carried out by the Bank. The principles of sustainable financing with a positive impact are based on BRD's vision and commitments in the field of CSR.

Beyond the E&S risk assessment activities (*more details are available at p.125 within the report in the section E&S risk assessment and sustainable financing and ESG investments*), the Bank is committed to promoting sustainable investments and financing with a positive impact.

In order to implement this policy and ensure a follow-up of its performance within BRD, the structures of the Bank directly involved in the interaction with stakeholders fulfill the attributions presented below. In this sense, each structure has the freedom and responsibility to detail the

stated principles as well as how to inform the partners of these principles according to the specifics of its own activity in the normative documents that regulate its activity.

The obligations of the bank's structures for the implementation of this policy are the following:

- implements, depending on the specifics of the activity and business objectives, the principles related to CSR policy in relation to employees, customers, suppliers and other third parties.
- adapts, as far as possible, the products and services offered to internal and external clients, as well as to the partners to the principles of positive impact financing taking into account the principles of the Bank's CSR policy.
- communicates to the Communication Service the relevant information on the actions taken to implement the CSR policy and their results, upon request and within the deadlines set by SEGL.
- establishes, together with the Corporate Affairs Directorate, the annual indicators for assessing progress.

In addition to the above, the following structures fulfill specific attributions related to the implementation of CSR policies at the level of the Bank:

General Secretariat (Corporate Affairs Division)

- Coordinates the drafting of the CSR policy at the level of the Bank with the support of responsible departments and by consulting the Committee on Climate Change, Environment and Social
- Represents the Bank, in this field, in relations with professional organizations and associations and with specialized bodies and plays the role of interface with the outside world in CSR issues;
- Coordinates the information centralization process and carries out annually, or whenever necessary, the reports requested by the SG regarding the CSR activities carried out at BRD level.
- Advises the structures of the Bank, at their request, on the CSR clauses within the contracts signed by the Bank with external suppliers.
- Establishes annually, together with the Bank's structures, the annual indicators for evaluating the progress on CSR related topics.
- Monitors periodically, taking into account the annual progress indicators fulfillment of CSR policy obligations by other Bank structures.
- Prepares, with the support of the Bank's structures, the Sustainable Development and Corporate Social Responsibility Report, for its approval by the management.
- Together with the Communication Service, it communicates to internal and external stakeholders the carried-out CSR projects and their results.
- Maintains and periodically updates the list of those responsible at the level of the structures for transposing the specific steps that the Bank takes in order to achieve the CSR objectives.

- Constitutes, together with representatives of the Communication Service, a dedicated working group - CSR Team - responsible for monitoring and evaluating how the principles of CSR are implemented. The CSR Team meets whenever necessary.

The General Secretariat (Communication Division) implements the Bank's CSR policy in relation to the categories of stakeholders in its area of responsibility, as follows:

- In relation to various communities (NGOs, sports and / or cultural associations, etc.) - defines and implements the policy of sponsorship and support of communities.
- Defines criteria on the basis of which it supports, through sponsorship, the communities relevant to the Bank. These will take into account: the field of activity of the organization and the purpose of the project, the size and history of the organization, the history of the relationship between the Bank and the organization, the financial value of the projects.
- Together with the Corporate Affairs Directorate, it communicates to internal and external stakeholders the CSR projects carried out and their results.
- Provides the Corporate Affairs Directorate support in the realization of the report on SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY (CSR) - sustainability report - of BRD.

#### Human Resources Department (DRU)

- Carries out, in collaboration with the Communication Service, actions to involve BRD employees in CSR projects carried out within the communities in which the Bank operates and in collaboration with its partners among NGOs, sports and / or cultural associations, etc.

#### Director for Social, Environment and Positive Impact Financing (ESPIF)

- Provides support to business departments in assessing customer E&S factors and transactions and in structuring sustainable financing transactions with a positive impact.

BRD is planning to draft a specific sustainability strategy in the next period so as to take into account the latest developments in the field, the general strategy of the bank and stakeholders' expectations.

In addition, in order to strengthen the general approach of the group in this field of sustainability, there are other initiatives at the level of each entity in the grade of the BRD Group.

**BRDAM** is aware of the sustainability-related legislature changes that directly impacts its activity. In this regard, it is undergoing adherence actions to become a UNPRI member, and is working on launching a UCITS fund under Article 8 of 2019/2088 EU Regulation.

Most important risks:

- limited access to issuers' ESG data
- unstandardized industry practice and understanding of regulatory requirements

Most important opportunities:

- investing in companies which promote ESG principles
- creating investment opportunities for new clients aware of /interested in sustainability topics

**BRD Soglease** is supporting its clients by means of financing the acquisition of fixed assets (equipment and vehicles) and mainly deals with customers in transportation, logistics, construction, agriculture and manufacturing sectors. Main trends affecting the business are digitalization of financial services, transition to green energy/circular economy and change of mobility models.

## 1.6. Materiality process

The BRD Group is one of the main economic players at national level. The management of sustainability is thus, very important for BRD Group because of the significant impacts it can have on the economy, society, and the environment. Analyzing these impacts and their significance, as well as understanding BRD Group stakeholder's expectations regarding various sustainability topics, are key elements for an efficient management of sustainability.

In 2021, BRD Group conducted a materiality process to fine-tune its sustainability impacts with the stakeholder's expectations, as well as understating potential risks which could affect their performance – double materiality in accordance with the specific requirements of the EU Directive 95/2014 regarding the reporting of non-financial information. The materiality process involved structures from all the Group entities, a wide and varied sample of stakeholder categories, as well as an external consultant to ensure complete confidentiality and impartially. The process was structured in the following steps: identifying and prioritizing stakeholders, relevant sustainability topics identification, stakeholder's consultation process, impacts and risks prioritization.

### Identifying and prioritizing stakeholders

Knowing all the categories and subcategories of stakeholders, allows the BRD Group to better understand which are the stakeholders that have the capacity to most influence its performance and development, as well as to efficiently configure a consultation process. The quality of this process will have a direct impact on correctly identifying the most important expectations of stakeholders. An important element in the identification and prioritization process, besides the influence level of each category on the performance and development of the BRD Group, was the impact the organization has on each stakeholder category. Thus, the process followed these two variables and was implemented with the participation of representatives from all companies within the Group.

## Relevant sustainability topics identification

### Categories of stakeholders identified



Understanding sustainability sector trends at global level is an important step in a materially process. Based on a comparative analysis, which included also the Annual Report of SG Group for 2020, as well as other peers from national and international level, allowed BRD Group to extract a first list of sustainability topics list which could be relevant for their activities, too. These results were integrated with international reporting standards and methodologies' analysis (GRI Standards, GRI-G4 Financial Services Sector Disclosures, SASB, S&P Global and EU Non-binding Guidelines for Non-financial reporting). Further, it was organized various on-line workshops with the representatives of different departments covering companies within the Group to discuss the sustainability topics identified in the previous step. In each workshop, the participants analyzed the relevance to BRD Group of each sustainability topics, the way it is managed, the impacts and the risks associated.

### Stakeholder's consultation process, impacts and risks prioritization.

The BRD Group is implementing its activities in a responsible and ethical manner, two core values for any organization in the financial sector. This requires periodical engagement with stakeholders at the local and national levels. As a significant player of the Romanian economy, an enterprise with a complex, intricately connected value chain, BRD Group success depends on the effectiveness with which it listens to and respond to the needs and expectations of all its stakeholders who, directly or indirectly, affect the activities of the Group or are impacted by them. The different stakeholders communication channel and initiatives, supports the BRD Group to better identify main stakeholders expectations, to adapt their strategies and products/services portfolio to the real needs of its customers and to better manage all the risks and opportunities, including the one from the sustainability area.

### Client Relations

Within the Bank, there operates a dedicated structure that coordinates the activity of ensuring the quality of the banking products and services. In order to facilitate the communication on the quality of the services, a free phone number - 021 302 6161 (for complaints and suggestions regarding quality) is made available to the clients. Likewise, particular attention is paid to the clients' complaints; there are internal procedures for taking over and analyzing complaints, which permit, on the one hand, to follow up the clients' incomprehensibility and dissatisfaction, and on the other hand, to constantly improve the quality of the services based on the clients' feedback.

#### The Dialogue with the employees and the organizations representing their interests

The relationship of the BRD Group with all its employees relies on dialogue, respect and professionalism. The Group policies of human resources are focused on its concern for the development of the employees' professional and personal competences and for maintaining a favorable social climate that encourages the diversity and the manifestation of talents of all its employees, for reaching the objectives of all companies of the Group.

The Group representatives maintain a permanent connection with the union that represents the rights of the employees by periodical meetings. At the same time, periodical satisfaction surveys and organizational diagnosis studies are organized. The employees are encouraged to communicate any concerns related to the Group management framework, being ensured the confidentiality of any information provided.

#### Communication with the shareholders and investors

BRD Group respects the rights of its shareholders, ensures equal treatment for them and access to relevant information, so that they may exercise all their rights in an equitable manner. The communication strategy of the bank relies on the following principles:

- equal access to information for all the shareholders and immediate availability of the relevant information;
- meeting the deadlines for the publication of the results;
- transparency and coherence of the provided information.

At the level of the Bank, being a company listed on the Bucharest Stock Exchange, there is an adequate structure to ensure the relation with the investors and shareholders. The staff of this structure have the necessary knowledge to carry out this activity and periodically attend professional training courses aimed at the development of their professional skills specific to this activity.

The shareholders / investors may send their requests to the bank through e-mail or over the telephone, at the contact data displayed on the institutional site. In addition to the dialogue with the shareholders within the general meetings, the bank uses various means of communication (its own publications, the internet, press releases and/or conferences, etc.) to correctly and promptly inform the shareholders and the investors.

The bank created a special section on its Internet page, which is easily identifiable and accessible, where relevant information is available regarding the General Meeting of the Shareholders, the structure of the management body, the financial calendar, the evolution of BRD shares, press releases, current reports, the procedure of payment of dividends and contact details of persons who can reply to the shareholders' queries.

#### Relation with supervision and control authorities

The relation of the Group with the authorities is governed by the following principles:

- Complying with the legal regulations and carrying out its business according to the permits granted by the authorities;
- Collaborating with the state authorities to improve the legal framework and the development of strategies and policies regarding the sectors in which the bank operates;
- Observing the ethical principles in the relation with the supervision and control authorities;
- Ensuring the framework necessary for the exchange of information between the bank and the authorities.

Within the bank, there are dedicated structures that ensure the bank's relation with the control and regulatory authorities, as well as the compliance of the internal framework of the bank with the legal regulations. The compliance function identifies and reports the non-compliance risks and monitors the enforcement of adequate prevention systems.

#### The relation with other banks

BRD respects the interests of all the credit institutions and promotes professional solidarity and mutual respect within the banking community.

The Bank actively participates in defending the interests of the credit institutions, encourages cooperation between banks and the identification of joint solutions for the problems that the banking community are facing in different business sectors. The bank is an active member of the Romanian Banking Association, and is a member of various other associations and foundations.

At the same time, the bank promotes loyal competition in the business relations and acts for:

- Discouraging the monopolist or unfair competition in its own or other banks' business;
- Using the correct forms of advertisement and publicity and refraining from actions that could prejudice the image, interests or products of other banks;
- Respecting the intellectual property rights of other banks and taking measures to protect its own rights.

For the 2021, BRD Group decided to publish a separate Sustainability Report to present its sustainability performance and their commitment to support the transition to a low carbon

economy in line with the objectives of the European Green Deal. For the realization of this report, BRD Group conducted a stakeholder consultation process in accordance with the principles of the GRI Standards and Accountability AA1000 Stakeholder Engagement Standard. In this process, BRD group engaged more than 2,000 internal and external stakeholders at national level through an online survey about sustainability topics. The survey supported the Group to determine which sustainability topics are material for the stakeholders and also to gather valuable information about the sustainability areas which requires additional intervention from the Group. In order to complete the information collected and to establish the final list of material issues, a group of key representatives representing all the entities in the Group analyzed and prioritized a series of impacts and risks associated with each relevant aspect of sustainability.

The results of this process will also support the Group in harmonizing and updating internal management procedures, as well as in identifying effective measures to improve sustainability performance. In addition to the results from the stakeholder engagement activities, the determination of materiality also took into account strategic priorities and corporate values. An analysis of the scope of each material topic confirmed that the BRD Group impacts – potential or actual, positive or negative - are throughout the entire organization, across all companies and also all topics have impacts outside the organization in geographical areas where the Group operates and for almost all the stakeholder categories identified. Within this report the identified impacts are detailed within the section where each sustainability topic is disclosed.

As for the identified sustainability risks (e.g. non-compliance with laws or the Group's E&S commitments; IT systems failure (cybercrime), E&S issues that could affect the Group's reputation, Stakeholder Relation Risks, etc) they do not have a significantly influence on the performance and development of the BRD Group. These impacts and risks have been integrated into the overall risk management system.

The sustainability material topics for BRD Group are:

- Customer Management
- Environmental, Social and Climate Risk Assessment
- Sustainable financing and ESG investments
- Business Ethics & Governance (presented in section 1.3. Ethics and Governance)
- Responsible Employer
- Community Development
- Procurement Practices
- Direct environmental Impact

## II. How we are managing our main impacts

### 2.1. Customer Management

#### Wonderful experiences for all our clients

BRD Group constantly strives to create lasting relationships with customers, focusing both on the quality of the products and services offered and on the entire experience of the customers in all their interaction with the Group personnel. BRD Group is one of the most important facilitators of the Romanian economy development, both at national and local level, supporting in 2021 more than 2.2 million individual customers, businesses (SMEs and large corporations) and institutional investors.

The positive impact of the Group derives from the diversity of products and services offered on the market, their quality, but also from the attention that BRDG Group pays to customers, employees and other relevant stakeholders, and the constant preoccupation for innovation and development. BRD participates in various governmental and European financing programs for businesses, supports the development of specific economic sectors, including the local economy by financing innovative products, providing loans for the development of specific businesses, such as those in the medical field. It also, play an important role in environmental protection by funding activities and projects that reduce the negative impacts on the environment.

The BRD Group financing solutions offered to individuals contribute to the improvement of living conditions by making available to them products specific to their needs, supports the educational and professional development of young people by providing specific products, such as study credit, credit 10, and youth cards.

The BRD Group is in a permanent relationship with its clients, being aware of their needs, by organizing regular consultation processes with them, as well as measuring their level of satisfaction. Retail clients' needs and expectations are monitored within Customer Experience Monitoring Program (CXM), namely NPS Barometer 2019-2021. The Barometer measures yearly the Net Promoter Score (NPS – meaning the propensity to recommend the bank to other people) for BRD and its main competitors. The performance measured within the Barometer places BRD on the second position on the market with a NPS of 61 (on a scale from 0 to 10) in 2021, at statistical equality with BT (score 60), and after ING, the market leader (score 72). In 2021 BRD increased its performance in terms of NPS & customer satisfaction from 55 in 2020 and in 2019 to 61. This allows them to identify the products and services that their customers and potential customers would need to improve their quality of life. Thus, in order to reduce the negative effect on the community generated by the lack of government lending programs for individuals, BRD Group focuses on providing specific products accessible to as many people as possible, such as: home loans and personal loans.

The general sustainable development strategy of the SG Group and of BRD Group focuses on the clients and the clients' needs. Present on the retail, SME and large corporate markets, the Group has an innovative and comprehensive offer of products and services.

The bank respects and protects the consumers' rights by high quality products and services that meet the market requirements. To this effect, BRD offers its clients and the large public complete information about the products and services it provides and about the conditions under which such products and services can be contracted.

### **Responsible Marketing**

Marketing for BRD Group products and services is based on the foundation of responsibility and reliability for their clients and potential customers. The Group is committed to a fully transparent and accurate communication, which contains all necessary product information without any misleading parts. The communication channels that BRD Group is using to inform their clients are: Institutional website, emails, online banking (BRD @ffice, YOU, MyBRD), SMS, letters, social media accounts, BRD agencies and we use each as per specific regulation for each project, in accordance with GDPR rules.

The Group ensures the advertisements for their products and services have all the necessary terms and conditions required by the law, are balanced between benefits and possible risks, without misleading or guaranteeing possible outcomes. All communications, in all formats, on all mediums, and addressed to any audience, must comply with regulatory requirements, including the necessity of communication in specific cases and under specific conditions.

As per European and local regulation, the BRDAM products must be accompanied by a prospectus, rules of the fund, and DICI (summative doc of fund objectives, risks and performance). These documents are approved by the local legislator (ASF) following a detailed revision process. Additionally, all investors must fill 2 MIFID questionnaires in order to ensure that they choose the funds which are suitable for their risk appetite and knowledge-level.

In the last three years (2019-2021), BRD Group had no incidents of non-compliance concerning product and service information and labeling or any incidents of non-compliance concerning marketing communications.

### **Policies for the fair design and sale of financial products and services**

BRD Group has in place specific produces to ensure the transparency in terms of conditions and pricing and in line with the laws and regulations.

All BRD products and services are transparent and compliant with legal and regulatory requirements. Through a multitude of parameters (such as client's history and experience or knowledge about the product, risk indicators, objectives, regulatory requirements) BRD proposes relevant products and services to the client according with their needs, prudent and foresight advice which makes them aware on potential opportunities and risks. Each loan application includes an analysis of the client's individual situation to protect our clients, mainly retail clients, from over-indebtedness. Accordingly, we offer loans only if no financial difficulties for the client are to be expected in connection with paying interest and repaying the loan. BRD loan processes and training of staff reflect this commitment. The bank takes a variety of steps to mitigate hardship

in conjunction with nonperforming loans, including by early notification of the clients who fail to repay loans or repay late.

From Compliance perspective, the control framework and related processes are adapted to ensure the proper compliance with the legal framework protecting the clients' interests. The control framework is periodically revised to be permanently adjusted based on the risk assessment exercises performed at bank's level or risks identified during the control missions conducted by various internal control levels or by relevant authorities.

In this respect, BRD has in place, for financial markets area, specific normative framework and dedicated processes covering:

(i) clients protection topic related with MIFIDII<sup>15</sup>:

- conflict of interest topic that has been aligned with the SG normative framework (Conflict of Interest normative and register; Conflict of Interest provisions in the impacted Business Lines normative; pre-clearance system; specific controls etc.),
- appropriate creation and distribution of financial instruments/performance of financial services based on clients' knowledge and experience etc., as well as in a manner to avoid any Conflict of Interest suspicions;

(ii) market integrity: specific rules implemented for specific activities that prevent the risk of market abuse, regardless if the abuse form is materialized on acting in the market or wrongly-managing inside and confidential information;

BRDAM has also a policy on managing new and existing products which sets the framework, due diligences and responsibilities for all actors involves.

At BRD Sogelease level there are established policies and other measures to ensure that the interests of the organization and its employees are aligned to the interests of existing and potential customers, such as: policy on conflict of interest, personal conduct code, new product procedure, credit risk strategy and policies, regular training of staff on conflict of interest and anti-corruption risk.

## **Financial Inclusion**

BRD Group is an important enabler to reducing poverty and boosting prosperity in less development regions of Romania and an important player in supporting local business, by facilitating the access to useful and affordable financial products and services that meet the needs of individuals and business. In all the areas, where the Group is present, special attention to the needs of all its customers is ensured by conducting focused surveys and by promoting specific products and services, such as: products for young people and students (study credit, credit 10, and youth cards), products for elderly (dedicated current account package) and loans for the

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<sup>15</sup>EU Directive 2014/65 on markets in financial instruments

development of specific businesses, such as those in the medical field. Financial inclusion means also access to a bank account for people which are in remote areas, less-educated, in areas with high poverty or other people part of vulnerable categories. BRD Group acknowledges its important role in facilitating access to banking activities for a large number of people so that they can live better every day, and to assist families and local businesses in planning for all expected or unexpected events from their lives and activity. For these reasons, BRD Group tries to offer a more diversified and affordable range of products, to be present through agencies or branches in as many areas in Romania as possible and to have the widest possible network of ATMs.

However, in exceptional situations, in which the Bank would have to reduce its presence in certain areas, there are plans to continue to ensure the access of the population to the Bank's ATMs which are maintained or when this would not be possible to establish partnerships with other organizations which could allow the access to the banking activities (e.g., money transfer, payments, etc.).

The Bank's approach to facilitating financial inclusion also includes the organization of personalized negotiation sessions with those clients who face special financial problems due to which they can no longer afford to pay their installments. The purpose of these negotiations is to identify with all parties the necessary solutions so that these people can continue to benefit from the products purchased without affecting their quality of life.

And last but not least, by fulfilling the strategic objectives of the BRD Group in terms of digitalization, it contributes to increasing the degree of financial inclusion of the Romanian population. Thus, in 2021 the Group achieved its proposed plan for digital transformation, the launch of customer enrollment and distance consumer lending, as well as the growing adoption of digital channels, with the number of digitally active customers up 48% from the end of the 2019.

Another important and efficient measure that can significantly contribute to the financial inclusion is represented by financial education. Thus, BRD Group is aware of the role it can play in improving the financial competencies of people by direct implication in educational programs.

In October 2021, BRD launched the **podcast "Money Road"**, which contains financial stories and advises easy to be applied.

The pandemic has caused many Romanians to spend more time online and has increased their openness to exploring and adopting new digital technologies and services. It helped them to work remotely, to communicate, to shop and pay online, but also to relax. This is how a new type of media took off in Romania: the podcast - stories, dialogues, book reviews or thematic shows in digital audio format.

In July 2020, the Romanian Joint Industry Committee for Print and Internet (BRAT) conducted the study "Podcast in Romania" and identified 3.2 million podcast listeners in our country, of

which 1 million in rural areas. Among the reasons for choosing this type of media, half of the approximately 4,000 people who responded to the BRAT survey mentioned entertainment and relaxation, the desire to learn new things or to develop personally, while 40% of listeners said they prefer to be able to do something else while listening.

*"We are launching the "Money Road" podcast to address, in a modern and friendly format, a growing need for financial service users to receive answers to some of the questions that concern them in the face of the uncertainty caused by the pandemic, and more. Why the "Money Road"? Because life is a journey that - whether we like it or not - we carry on with money. For every person, it is very important not only to make money, but also to use it as efficiently as possible",* said Flavia Popa, Secretary General of BRD Groupe.

This podcast discusses various financial topics in several episodes, in a simple and understandable way, avoiding sophisticated or specialized language, it talks about money, rates and interest, about the advantages and disadvantages of different financial products, or about how to better manage your money and what to do when you have problems.

The "Money Road" podcast can be listened to on the online streaming platforms present in Romania: Anchor / Spotify / Apple Podcasts / Google Podcast and is made with the support of BRD Groupe.

Each episode will be uploaded weekly on the web pages [www.brd.ro](http://www.brd.ro) (<https://brd.ro/drumulbanilor> ) and FinZoom.ro (<https://finzoom.ro/podcast> ), along with relevant articles, with the stories and information addressed in the audio version.

Who is realizing the "Money Road" podcast?

Irina Chițu - journalist, financial analyst and founder of FinZoom.ro comparator, where she writes about financial products, talks to consumers about their rights and helps them manage among the offers of banks. Irina participates in TV and online debates, conferences, holds financial education courses, and is actively involved in education projects with the specialized press, consumer associations and financial institutions.

Tudor Stoica - consultant in the information technology industry, founder of the podcasts Network and Mind Architect, creator and writer at [somnrosi.ro](http://somnrosi.ro) and passionate about thinking based on design and service management.

**#Dreptul la banking** is a common initiative of the banks from Romania, under the coordination of the Romanian Association of Banks (ARB). BRD is part of this program and its contributions consist in financing, expertise in defining the actions and communicating the program. The scope of the program is to increase the awareness among Romanian citizens about the importance of banking in creating prosperity for everybody.

The Bank is focused on reducing the carbon footprint by investing significantly in innovation and digitalization, to make banking more accessible and user friendly from the comfort of one's home, thereby reducing the need to visit a regular unit for banking needs.

In 2021 BRD developed in-house and released digital flows to facilitate 100% remote onboarding as a new bank customer, 100% remote lending for personal needs, 100% remote data update process, which were readily accepted by our clients, particularly in the pandemic context. We also took action on dematerializing documents within our units to lessen the impact on the environment.

The Bank also invested in bringing more functionalities to its first in-house fully developed mobile app, in order to better provide clients with fingertip control over their accounts and transactions. YOU BRD expanded with foreign payments and exchanges between own and other bank accounts, empowered accounts, opening and closing deposits, opening current accounts and savings accounts and many more useful features to make the app a trusted remote banking partner.

## **2.2. Environmental, social and climate risk assessment and Sustainable financing and ESG investments**

**BRD Group is committed to play an important role in the journey of companies in their transition towards less carbon intensive activities, in a socially just transition and with a lower impact on the biodiversity, by setting an ambitious target of reaching a EUR 1 billion sustainable finance production by 2025, as part of the VISION2025 Strategy.**

BRD Group acknowledges that sustainability can play a crucial role the development of the Romanian economy and its competitiveness and as well as the transition to a safe, climate-neutral and resilient, and also more resource-efficient.

In line with the action plan on financing sustainable growth published by the European Commission in March 2018, regarding a strategy on sustainable finance, BRD Group is determined to support in redirecting the capital flows towards sustainable investment. Through their activities related to environmental, social and climate risk assessment, as well as sustainable financing and ESG investment, BRD Group can play a major role in the transition to a responsible, low-carbon economy and to contribute to environmental protection by including environmental, social and climate risk assessment at the product and transaction level. By implementing the provision of the EU Regulation no 852/2020 **on the** establishment of a unified classification system for sustainable activities, the Group can contribute to the identification of the exposure of certain economic sectors to climate risks (physical and transitional risks).

Furthermore, assessing social risks, including the respect for human rights, at the product and transaction level, BRD can contribute to the improvement of the living conditions, thus being a strong and efficient promoter of the UN SDGs.

### **Environmental, social and climate risk assessment**

The Bank is likely to generate directly or through the activities it finances environmental and social (E&S) impacts. As E&S breaches may pose risks to the Bank, these are subject to a process to identify, assess, prevent and/or mitigate them. Risks of environmental and social nature are defined as the risks of serious harm (actual or potential) or negative impact on (i) human rights and fundamental freedoms, (ii) health and safety of individuals (employees, individuals, clients) and (iii) environment (climate, air, water, soil).

These risk factors may trigger or aggravate compliance, reputational and credit risks. The risk of non-compliance with laws governing E&S issues, or non-compliance with the Group's E&S commitments (voluntarily assumed and publicly communicated), may arise from the inadequacy or insufficiency of the E&S risk management system or from failings in its implementation. These risks could also trigger a reputational risk for the Group. Reputational risk may also arise from a negative perception of the Group's handling of E&S issues by stakeholders, particularly external stakeholder.

In order to manage such risks, and following the Group's approach, the Bank has implemented an E&S risk management process, reflected in a dedicated instruction, applicable to a certain perimeter of Bank's clients and transactions/services. The process implemented for corporate clients started in 2019 and enhanced further, leading to a third version of the internal normative framework.

The E&S risk management is organized according to the "three lines of defense" model with a dedicated E&S expert function, as support for the first line of defense.

The E&S risk assessment of clients or transactions in the perimeter of evaluations is carried out in three steps: i) identification of the risks of E&S nature, ii) E&S assessment of these risks and iii) defining an action plan to prevent or mitigate the identified risks (if the case).

The Bank uses a set of tools in order to assess such risks, comprising the E&S General Guidelines<sup>16</sup>, applied to all financial transactions and services provided by SG Group entities and 12 sector and cross-sector policies of SG Group<sup>17</sup>, some of them from climate change perspective, as follows: coal thermal power, oil and gas, thermal power sector, agriculture and agribusiness, fishing, forestry, dams and hydropower, renewable, shipping, mining, biodiversity, nuclear power. E&S policies are established on the basis of a common framework that identifies the E&S impact risks,

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<sup>16</sup>

<https://www.societegenerale.com/sites/default/files/documents/Document%20RSE/Finance%20responsable/Environnemental%20and%20Social%20General%20Guidelines%20for%20Business%20Engagement.pdf>

<sup>17</sup> <https://www.societegenerale.com/en/publications-documents?theme=rse&category=politiques-sectorielles>

lists the sectoral or thematic reference standards, explains the scope of the activities concerned (sub-sectors and banking and financial products and services) and defines the criteria that cover the activities of the clients, companies of the Group and underlying activities of dedicated transactions and services. E&S policies define exclusion criteria, priority assessment criteria and supplemental criteria. The scope of the E&S clients risk assessment process includes only corporate clients and the clients in the perimeter are subject to E&S analysis during the onboarding and when reviewing KYC files, as well as when a trigger event (defined) occurs.

BRD performs an E&S assessment of the transactions which falls in the scope of Equator Principles ("EP") and dedicated transactions for corporate clients, as per a defined perimeter. At the end of the assessment process a risk category is attached to a client as "Very High", "High", "Medium" and "Low" (rating scale changed at the end of 2021), or transaction. A transaction under EP is categorized as A, B or C.

For assessing the transition risk, BRD applies the Group's Climate vulnerability indicator, implemented in 2020, represented on a 7-notch impact scale from high negative to high positive for the following portfolios: Oil & Gas, Power Generation, Metals & Mining, Automotive, Shipping, and Aircraft, considered to be most exposed to these type of risk on long term. The indicator is set at group level of the clients falling within the perimeter and are the direct responsibility of the front-office unit that assures the management of the client.

At the end of 2021, BRD has graded with a Climate Vulnerability Indicator several group of companies (according to a specific methodology), delivering either no impact or a highly positive one.

As concerning the physical risk, the Bank follows the approach of the Group, which is working on furthering its understanding of this particular type of risks. The sector identified by the BNR report on Climate Change Risks in 2021 is agriculture, exposures indicated at the level of the whole banking system as representing 4.56 % (at the end of June, 2021), in the areas with such risks. At the level of BRD, exposure towards the agriculture sector is in line with the average on the banking sector. BRD has also established a sectoral limit of Agriculture, as a way of managing risks related to this sector (including climate change) and is constantly monitoring its inclosing within the alert limits]. On Agriculture sector the bank follows the provisions of the E&S Agriculture and Agribusiness Sectoral Policy, which is publicly available and it is used in the dialogue with the client's active in this sector.

#### KEY FIGURES WITH RESPECT TO E&S ASSESSMENTS PERFORMED IN 2021

The process of deploying the E&R risks standards of assessment is a continuous process, resources are made available by the management and training sessions on E&S assessments are organized with internal or external resources. In 2021 a number of 1,288 persons benefited of training sessions as follows:

Title	Completed
Clients and transactions analysis from the environmental & social risks perspective	3
Managing environmental and social risks	1235
ESRM refreshing training organized by SG	50
<b>Total enrollments - ESG</b>	<b>1,288</b>

## Sustainable financing and ESG investments

As part of SG Group, considered by Robecosam in 2019 being #1 worldwide on environmental matters, having clear commitments aligned with Paris Agreement towards a zero-carbon economy and UN SDGs, BRD Group has embraced the sustainable development and set up a framework for sustainable finance and ESG investments.

First step in the process of considering and implementing the above-mentioned objectives, for its part on the Romanian market, was the deployment of the E&S Risk management process. Implementation of E&S Standards for loans origination and execution, and incorporation of environmental and social risks conducted to identification of potential financing opportunities and thus, turning risks into opportunities.

BRD could provide green loans, sustainability loans, social loans, sustainability-linked loans, and advise on green bonds, sustainability-linked bonds, for different classes of assets and transactions, based on recognized international standards like Loan Market Association ("LMA") and International Capital Markets Association ("ICMA") Principles, transactions representing a novelty on the local market.

For structuring and implementing such transactions, a dedicated team is in place, acting as a support to the corporate origination teams, front-office relationship managers covering both large clients segment and SMEs clients segment, structured finance, corporate finance or trade finance teams. To these, is complemented the expertise of the SG Group, comprising an identified population of CSR correspondents and technical specialists, including at the level of supervising unit at the level of head-quarter BRD has a process of validation and escalation of certain categories of risks at the level of the Group. BRD has a process of validation and escalation of certain categories of risks at the level of the Group. In order to support the roll out of these products, important resources have been deployed and intensive training have been carried out in 2021 for this particular purpose, as follows:

Title	Completed
Introduction to energy transition - module 1	119
Introduction to energy transition - module 2	46
Green/sustainable financing framework	80

Energy efficiency	9
<b>Total enrollments - ESG</b>	<b>254</b>

BRD has defined a business plan for sustainable and positive impact financing, following the guidelines of the Group and aiming to contribute to the commitments assumed by the Group, including reaching a EUR 120 billion energy transition financing by 2023.

Tacking also into account the objective of supporting those activities that prove over time to be sustainable, protect the environment and assure social positive impact, the first step was to set up a road map for the sustainable financing promotion, drafted in November 2019, which was followed by the 2020 Business Plan. The business plan for 2021 has been built around the EU Green Deal, the draft of the National Recovery and Resilience Plan and the EU's Circular Economy Action Plan. On the structuring side, ICMA Green Bond Principles, LMA Green Loans Principles, LMA Sustainability Linked Loans Principles, ICMA Sustainability-Linked Bond Principles, ICMA Social Bond Principles have been envisaged to be used either as reference, deal origination source, or proxies in segmentation, sector approach, and structuring of the financing. Furthermore, the SG Positive Impact Financing Framework (<https://bit.ly/3t8yvvS>) has been implemented in 2021, in the local internal regulatory framework.

BRD's main objective is to play a pioneering role in sustainable financing locally and thus, to contribute to the channeling of funds with priority towards the activities, companies and transactions that proves to be sustainable, with a positive impact on environment, society and business.

The approach is a sectorial one, with priorities on energy efficiencies projects, green real estate, water treatment/waste projects, agriculture, health projects, clean mobility, aiming to capitalize on the expertise already the Bank has in financing under different financing schemes with IFIs.

In 2021, BRD has concluded or completed a volume of over EURO 500 Mn transactions marking a number of new premiers on the local market.

1. BRD grants Hidroelectrica S.A. a green loan of: EUR 257mn (RON denominated) for the acquisition of participations in renewable energy projects (solar and wind) - the largest bilateral green loan on the Romanian market and first structured based on LMA Green Loans Principles. Hidroelectrica is leader in the production of energy and the main provider of ancillary services necessary in the National Energy System and is a vital company for a strategic sector with implications in national security. With a production in an average hydrological year of over 17 TWh generated in branches located strategically on the territory of the country, Hidroelectrica supplies about 30% of the total production of energy of the country, depending on the hydraulicity of the year.

2. BRD Group acted as Sole Coordinator, Bookrunner and Structuring Agent for the first local Programme with a total ceiling of EUR 250 million and the first issue of the bonds under the Sustainability-Linked Bond Framework on the Romanian Market in 2021, of EUR 48mn in favor of Autonom Services SA, a provider of mobility services. This is the largest financing of a Romanian entrepreneurial company through a private placement of bonds. The bonds have a maturity of 5 years, a fixed coupon of 4.11% payable annually, with the possibility of adjustment through a step-up mechanism, depending on the fulfillment of some performance objectives in the sustainability strategy.

BRD is also committed to contribute to the increased awareness of its clients with respect to sustainable agenda, referring to actions aligned with the Paris Agreement aiming to keep the global warming well below 1.5 degrees Celsius by the end of the century and reach net zero by 2050, with the UN Sustainability Development Goals, and with the objectives concerning biodiversity conservation and restoration. In these respects, in 2021 BRD had an important contribution to the increased awareness among its clients and public at large, through dedicated sessions on sustainability topics. BRD presented within a series of 5 webinars sustainability finance instruments for an audience of 240 SMEs companies, delivered a joint presentation within Societe Generale Positive Impact Financing Week with Hidroelectrica, at the level of DGA coordinator of Corporate Clients and CEO of the borrower, for an international audience, with respect to the first largest green loan on the Romanian market. There were other events to which the Bank contributed with speeches and presentations, contributing to an increased awareness of the local market, like the ones for ZF, Business Review.

Through its representatives, the bank assumed important roles in different working groups dedicated to the sustainable finance development on the local and international market. A representative of BRD, on behalf of the Romanian Banking Association, jointly coordinated one of the sub-groups of the National Macro-stability Committee's working group that drafted the Report on Green Finance Development in Romania, contributing to the best practices development with respect to this type of financing. BRD actively participates in different working groups or task forces groups dedicated to green finance, ESG aspects (CCIFER, FIC, AmCHam, etc.).

At BRDAM level there also specific tasks implemented regarding ESG investment, such as: calculating and disclosing ESG risk at portfolio level; implementing into the investment decision process ESG topics such as use of an exclusion list and disclosing to investors. On the company website, all investors/stakeholders can view important information about the entity, such as: declaration on the transparency of adverse effects on sustainability, transparency of policies on sustainability risks, information on the integration of sustainability risks and general environmental and social principles.

### 2.3 Responsible employer

The BRD Group employees represent the strategic factor through which a sustainable Group development can be achieved. The quality of the BRD Group products and services are ensured by the efforts made by all the employees to provide to our customer the best experience they can have with a financial service provider. For this reason, the BRD Group is fully committed to create a work environment in which all its employees can express their fully potential during their professional career. During these particular times caused by the Covid-19 pandemics, the preoccupation of the BRD Group to create a trustfully relationship with its employees was constantly maintained by promoting diversity and inclusion, supporting employees in developing the Bank's business lines, creating a culture of responsibility, recognizing the individual contribution to the Bank's performance and by encouraging a work environment that supports employee involvement.

The Group human resources policies are focused on the employee professional development and on maintaining a favorable social climate that encourages the diversity and the manifestation of talents for reaching the common Group objectives. The Human Resource Department has established specific and clear procedures for the whole human resource process: recruitment, promotion, remuneration, career management, performance management, dismissal. In each phase of the process are taken into account the needs of the Group: qualification, professional experience, professional performance, technical, commercial, and managerial skills, professionalism, team spirit, and innovation. The Human Resources Department constantly provides specific support through several projects that aim to optimize the Bank's structure to be more efficient and provide quality services to its customers. In 2021, we continued to implement two important projects that started in 2020:

**"We Connect"** a program that aims to provide employees with tools and opportunities to stay connected, in a period of uncertainty, as well as resources for learning, and personal and professional development. The program has meant so far over 80 webinars provided with the participation of almost 694 (1,084 participations) employees and 255 individual coaching sessions. The 10 topics of the webinars ranged from professional development, anxiety and stress management, resilience development to distance work management, time management and communication.

**"Horizon"**, a program dedicated to the development of managerial skills, which includes webinars on seven relevant topics: communication and performance, remote work,

feedback, managerial roles, organizing attractive online meetings and managing remote teams.

In order to ensure a balance between professional and personal life, the Human Resources Department continued the projects:

- **The BRD ID card Matters!** - through which discounts are negotiated for BRD employees, formalized under a series of agreements;
- **Bookster** is a modern library that delivers books directly to the office but also an online platform where the employees can borrow books, read case studies online or watch TED videos or courses taught at top universities. They can choose among thousands of books on professional and personal development areas, social affairs, finance, success stories, hobbies, time management, literature, etc.
- **Open Studio** - organization of online seminars with a focus on information of interest (Covid-19: 6 conferences with occupational medicine partner, anti-tobacco webinar, etc.) (webinars with specialists).
- **Work and study environment** - training methods adapted for different populations in the current context, impacted by the Covid-19 pandemic

In 2021, we also launched our future hybrid work model with a mix of telework and office (ideally between 1-3 days of telework /week), as long as the nature of the work allows it, which will be implemented after the alert state will be over.

## Labour Relations

The BRD Group, through its representatives, maintains a permanent connection with the unions that represents the rights of the employees both during the annual negotiations for the signing of the Collective Bargaining Agreement and by periodical meetings. Within the Group a special function, within the Human Resource Department, is responsible with the management of labour relations – the Social Relation Department. According to the Collective Bargaining Agreement and the Internal Regulation, BRD employees are free to associate. It's recognized the free exercise of the Trade Union right according to the legislation in force, as well as the freedom of opinion of each employee. At the same time, the employees can be associated in various professional organizations (e.g., CCIFER, etc.) with the mention that they must respect the confidentiality requirements.

In order to ensure full protection of employees and union members, the Human Resources Department, department directors / departments / branches work with union leaders on any issue related to the provisions of the Collective Bargaining Agreement. The members elected in the governing bodies of the Union, who have the quality of employees, have the

right to reduce the working hours, for the development of trade union activities, without affecting the salary rights (President of the Union - 44 days a year, but not more than 5 days / month; Members of the Executive Board of the Union - 33 days / year, but not more than 5 days / month; Management of the branches of the Union - 22 days / year, but not more than 3 days / month; The Censors Commission of the Union - 3 days / year). The Union activities benefit also of the BRD Group material resources that are free of charge (space, office, car for travel - including maintenance and repair expenses, access to the use of the Bank's electronic messaging system for trade union purposes). The elected representatives in the management bodies of the Union benefit from protection against dismissal, in accordance with the law. The BRD Bank ensures, free of charge, the collection on the payroll of the union contribution, in accordance with the law.

All the employees have the right to present a complaint regarding the violation of the right of association according to the Internal Regulation. The complaint can be presented by sending an alert through the warning channel [alerte\\_confidentiale@brd.ro](mailto:alerte_confidentiale@brd.ro), by direct notification to the Human Resources Department or by notifying a manager who will contact the person in charge of the Human Resources Department.

The BRD Group ensures compliance with the rules on working conditions and will not resort to forced labour or child labour, in accordance with the International Labour Organization Conventions, even if local law allows it. This commitment is also underlined in the SG Group's Code of Conduct which is also applied within the BRD Group.

In order to raise awareness of the employee rights, annual training campaigns are implemented at the Group level. For example, in 2021, all employees underwent the training course "Combating inappropriate behaviour: Fundamentals", and annually from 2018 until now, the training campaign on the Code of Conduct of the S G Group is carried out, according to which a strong focus is put on the Group commitment to respect the human rights.

According to the Collective Bargaining Agreement, the employer initiates the collective bargaining at least 45 calendar days before the expiry of the contracts collective bargaining agreements or the expiry of the period of applicability of the clauses stipulated in the addenda to the collective bargaining agreements. If the Bank is put in a position to perform collective dismissal, the provisions on collective dismissal from the Labour Code shall apply.

## **People Development**

In order to understand which is the climate within the Group, periodical employee satisfaction surveys and organizational diagnosis studies are organized. The results of are

transposed into specific action plans that have the objective to increase the employees' satisfaction and to improve the human resource management system in order to ensure to a strong professional development within the BRD Group. Thus, the Human Resources Department places particular emphasis on the employees' engagement, something that improves team performance. Recognizing each person's contribution to the long-term performance of the Group, ensuring well-being in the workplace and using the benefits of diversity in teams are essential to maintaining employee relationships within the organization and improving efficiency.

Within the Group, it is implemented a rigorous employee performance management system that is founded on three main pillars: clear and measurable objectives based on the appropriate job description; continuous feedback and individual development plan; a serious and transparent process of evaluating the employee, both in terms of results and in terms of how they were achieved. The performance of each employee is evaluated each year. During 2019-2021, the degree of achievement for annual evaluation was 99,9% of the active employees. The assessment process is a way to manage and develop skills aimed at: discussions on the expected level of achievement of the objectives depending on the deadlines and means defined at the beginning of the year, as well as in relation to the working environment; evaluating the results and the way in which they were achieved, taking into account the responsibilities and objectives set for that year; identifying acquired skills and identifying training needs and ensuring the conditions for professional development. The evaluation of individual and collective performance takes into account the qualitative and quantitative performance criteria measured with KPIs. The role of the KPI system, a key element of performance management, is to set challenging but achievable goals with relevant performance indicators. Achieving these goals is a key element in the organization and is linked to continuous improvement of services and the achievement of goals, objectives and priorities.

### **Employees Benefits**

The BRD Group offers to its employees various facilities granted in case of special situations: death and disability, hospitalization as a result of an accident or illness, serious and incurable illness benefits, temporary incapacity by work accidents. Furthermore, the Group offers also a life insurance that covers: accident or professional diseases, convalescence after hospitalization (max 15 days/year), permanent disability due to an accident, permanent and total disability 1st and 2nd degree from any causes. Above legal

requirements, in case of birth/adoption of a child by an employee, the Group offers a financial aid of RON 4,000.

All the employees are eligible for PMAS (Planul Mondial de Detinere Actiuni de catre Salariati), LTI (Long term Incentives), Group Insurance, special conditions for banking products & service; BRD ID counts- special discounts for a list of suppliers of services and products; transport expenses from home to the workplace; discounts to BRD affiliated hotels.

According to eligibility criteria, the employees can benefit also of: “Bank Day” Bonus (100% of gross base salary for the employees with minimum 1 year in the Bank), private pension funds Pillar III, gift sums (8 March); payments for different work conditions, social aids for special events (birth, marriage, death, etc.); social aid for serious disease in family; geographical mobility bonus, cash gifts for children under 18 of employees.

## **Training**

The BRD Group training strategy is built in accordance with the Bank's strategy and in order to provide support in the evolution of the Group business model. The purpose is to ensure efficient and dynamic structures, in order to maximize the results obtained and to respond to the needs of the clients. The training strategy aims at developing both commercial skills, technical skills (according to the business strategy), managerial development skills, and specific regulations through risk management and compliance courses for BRD employees. The Group has a diversified training offer that covers the training needs of the employees, in a format adapted to all profiles (juniors, seniors, experts / specialists), correlated with the support and development of the competencies aimed at each role, in a mix of theoretical and experiential learning with direct involvement of the employees in the choice of training actions, identifying their training needs together with the managers.

In order to adapt to the rapid changes in the business environment, strategic workforce planning projects have been implemented in the retail and corporate areas. Employee skills are a major asset in the Bank's success. The objective is to promote the permanent adaptation of employees' skills to the rapid changes in the business environment and to allow them to access motivating career paths. In this sense, was developed an e-learning project together with CPBR (The Council of Banking Employers in Romania), with the representatives of the trade unions (through FSAB - Federation of Insurance and Banking Trade Unions) and with other 4 Romanian banks (BCR, Raiffeisen, ING and Unicredit). The main project objective is to develop the skills of the employees so that they can adapt more easily to the labour market changes and the digital future. The course catalogue in the new platform (BRD IKNOW LMS) focuses on 3 major topics that address digital technology:

- 1) Digital skills (digitization awareness, PC and reporting skills, analytical skills and numerical);
- 2) Collaboration through digital channels (sales, cashless operations, customer orientation from a digital perspective);
- 3) Customer satisfaction and approach in the context of digitization (remote work, tools of messaging and collaboration such as video conferencing, distance learning, etc.).

During 2021, constantly taking into account the situation generated by the Covid-19 pandemic context, the training courses continued to be adapted to the distance / online interaction format.

The main axes of development were:

- Developing a risk culture awareness in BRD through mandatory e-learning programs prepared in cooperation with SG Group (“Code of Conduct”, “Information security”, “Market abuse”, “Fatca”, “Anti bribery and corruption”, “Environmental risk management”, “Anti-money laundering”, etc.) and local e-learning (SSM – health and safety at work, “Physical security events”, “GDPR”), increasing the number of case studies presented during virtual/ face-to-face trainings.
- Developing of specific competences of social and corporate responsibility (CSR) with a focus on the area of ESG (Environment, Social Impact, Governance) due to e-learning training using training platforms.
- Integrated training programs for the new employees:
  - “Welcome to BRD week” program, in which the new employees have access to general information about the Bank, BRD values, basic knowledge regarding compliance, credit risks, as well as human resources issues regarding training, career management;
  - The "Induction" program - for front office sales teams - focuses on knowledge of specific products and applications, related risks, behavioural skills, and the development of specific business skills, through an experiential approach to learning.
  - Business Academies adapted to the Bank's client segments: Retail - individuals, Retail - small companies, as well as for the corporate segment.

These trainings are modular programs, on levels of knowledge and expertise, adapted to the roles in the organization (both for managerial functions and for operational teams), having different degrees of complexity, covering as main

directions: offer, financial and risk analysis, skills - sales, customer portfolio management, communication, negotiation.

There are training programs dedicated to each business-line, curricula developed and updated according to the commercial requirements expressed and regulatory developments, with business guests - bank specialists on various topics, along with internal trainers.

Behavioural training programs (topics such as: customer relationship management, communication, sales and negotiation techniques, stress management, conflict management, teamwork, feedback - a tool for development and performance, how to make a team meeting more attractive, hybrid management etc) which were completed in 2021 by the development of the webinars & coaching sessions program dedicated to employees, starting from the need to stay connected to each other: "We Connect", and for managerial roles through the "Horizon" program.

- Other training programs, based on business requirements and regulations:
  - ✓ certification-trainings in the field of insurance and private pensions for front-office employees;
  - ✓ initial and continuous training courses in e-learning format for MiFID II.

At the same time, BRD provides access to its e-learning tool (BRD IKNOW LMS) to those who will be impacted by the Bank's restructuring process, as part of the strategy of being a responsible employer.

Average hours of training per year per employee – BRD GROUP			
	2019	2020	2021
Average hours of training that the organization's employees have undertaken during the reporting period	52	44	53
<i>out of which women</i>	54	47	64

## Diversity and Equal Opportunities

BRD Group strongly promotes the values of diversity, non-discrimination, inclusion and equal opportunities in the workplace. This commitment was empowered in 2018 by signing the Romanian Diversity Charter. By signing the Charter, the signatory publicly commits itself to supporting, protecting and developing diversity within the organizational framework. Bringing together the most diverse co-interested groups at the same table, the

Charter is an excellent collaborative platform for debating diversity management. The commitment facilitates the signatory's access to the resource platform, good practices and tools developed under the Charter and those made available through the European Diversity Platform.

Within the Group, any form of direct or indirect discrimination against an employee is prohibited. Compliance with this principle is regulated in a specific internal regulation which include also the description of the alert mechanism. The structure responsible for establishing policies & commitments for this aspect is the Human Resource Department through all its functions (recruitment, career management, learning & development, compensation and benefits) so as to ensure that the principle of non-discrimination is respected. Through the daily consultancy offered to the employees, the department contributes and ensures the proper application of the Collective Bargaining Agreement provisions, including the fight against any forms of possible discrimination.

At the Group level, different projects and measures are implemented in order to promote among all the employees the importance of diversity and equal opportunities. BRD has launched the Open Studio program (series of open talks) tackling issues related to diversity - maternity leave and support for integration of mothers returning from maternity leave. In 2021, BRD launched an awareness campaign regarding the gender balance (communications in our newsletter, e-learning training catalog update for this topic). Regarding the support measures for people who have returned from parental leave (regardless of gender), they are invited to the Welcome BRD integration program. For gender equality were removed where necessary the unjustified pay gaps.

Board of Directors Structure	UM	2019	2020	2021
Women	%	2*	3****	4
Men	%	7*	6****	5
under 30 years old	%	0	0	0
30-50 years old	%	3**	3 ****	3
over 50 years old	%	6***	6 ****	6

**Note:**

*\* Mr. Philippe Laurent Charles Heim renounced to his mandate as member of the Board of Directors starting with November 6, 2019. The Board of Directors on November 5, 2019, decided, according to art. 137 alin.2 of the Companies Law 31/1990 republished, with subsequent amendments, the nomination of Mrs. Valerie Marcelle*

*Paule Villafranca as Interim Member of the Board of Directors, starting with the date of issuance of the prior approval by the NBR, until the first Ordinary General Shareholders Meeting is held*

*\*\* 3 starting with the nomination of Mrs. Valerie Marcelle Paule Villafranca. 2 until her nomination.*

*\*\*\* 6 starting with the nomination of Mrs. Valerie Marcelle Paule Villafranca; 7 during Mr. Philippe Laurent Charles Heim mandate.*

*\*\*\*\* Mr. Jean-Luc André Joseph PARER renounced to his mandate as member of the Board of Directors, starting with December 11, 2020, for personal reasons. The Board of Directors on December 10, 2020, decided, according to art. 137 alin. 2 of the Companies Law 31/1990 republished, with subsequent amendments, the nomination of Mrs. Maria ROUSSEVA as Interim Member of the Board of Directors, on the vacant position existent in the Bank's Board of Directors starting with December 11, 2020, until the first Ordinary General Shareholders Meeting is held.*

Incidents of discrimination and corrective actions taken	UM	2019	2020	2021
Total number of incidents of discrimination during the reporting period.	no	0	0	0

Information on employees and other workers	UM	2019	2020	2021
Total number of employees <sup>18</sup>	No	7,396	7,068	6,678
<i>out of which women</i>	No	5,641	5,351	5,038
With ILC, undetermined period, full time+ part-time	No	6,072	6,483	6,100
<i>out of which women</i>	No	5,061	4,881	4,570
With ILC, determined period, full time+part-time	No	694	585	578
<i>out of which women</i>	No	580	470	468
Number of workers who are not employees <sup>19</sup>	No	328	145	274

Collective bargaining agreements	UM	2019	2020	2021
Percentage of total employees covered by Collective Bargaining Agreement	%	100	100	100

<sup>18</sup> The number of employees at 31.12

<sup>19</sup> The people who are not employed are interns, collaborators (e.g., in IT, collaborating lawyers, etc.) or employed through staff leasing.

New Employees hires	2019		2020		2021	
	no	%	no	%	no	%
Total number and rate of new employee hires during the reporting period, by age group, gender	1,188	16%	445	6%	758	11%
Total number and rate of new employee women hires <30 years old	542	7%	185	3%	348	5%
Total number and rate of new employee women hires 30-50 years old	378	5%	135	2%	203	3%
Total number and rate of new employee women hires >50 years old	21	0%	14	0%	25	0%
Total number and rate of new employee men hires <30 years old	129	2%	59	1%	108	2%
Total number and rate of new employee men hires 30-50 years old	105	1%	42	1%	69	1%
Total number and rate of new employee men hires >50 years old	13	0%	10	0%	5	0%

Employee turnover	2019		2020		2021	
	no	%	no	%	no	%
Total number and rate of employee turnover during the reporting period, by age group, gender.	1,313	17%	905	12%	1,154	17%
Total number and rate of employee women turnover <30 years old	394	5%	223	3%	292	4%
Total number and rate of employee women turnover 30-50 years old	504	7%	331	5%	470	7%
Total number and rate of employee women turnover >50 years old	95	1%	145	2%	131	2%
Total number and rate of employee men turnover <30 years old	120	2%	58	1%	87	1%
Total number and rate of employee men turnover 30-50 years old	170	2%	95	1%	108	2%
Total number and rate of employee men turnover >50 years old	30	0%	53	1%	66	1%

Parental leave	2019	2020	2021
Total number of employees that took parental leave	296	296	243
<i>out of which women</i>	288	286	230
<i>out of which men</i>	8	10	13
Total number of employees that returned to work in the reporting period after parental leave ended	298	336	276
<i>out of which women</i>	288	324	265

<i>out of which men</i>	10	12	11
<b>Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work</b>	<b>200</b>	<b>310</b>	<b>82</b>
<i>out of which women</i>	193	298	82
<i>out of which men</i>	7	12	0
<b>Retention rate of employees that took parental leave</b>	<b>67%</b>	<b>92%</b>	<b>30%</b>
<i>out of which women</i>	67%	92%	31%
<i>out of which men</i>	70%	100%	0%

## Remuneration policies

The remuneration of Executive Directors 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.

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 Directors 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 Directors' activities and responsibilities. Granting VR is not guaranteed. 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. 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 remuneration policy for the Executive Directors aligns 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, not encourages risk-taking that exceeds the level of tolerated risk of the Bank, is gender neutral and respects the principle of equal pay for male and female Executive Directors for equal work or work of equal value and "Pay for performance". The policy provides 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.

Variable remuneration (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 Director, 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.

Executive Directors do not benefit from discretionary pension benefits.

Executive Directors do not benefit from contribution rates nor the rest of identified Staff.

In case of retirement, the initial deferral and retention bonus scheme also applies after retirement, as well as for the rest of the identified staff.

### **Process for determining remuneration**

The remuneration recognizes the individual and collective performances, in the conditions of encouraging the team spirit.

The Bank ensures a correct and competitive remuneration, by strictly complying with competences and performances, with 2 components correctly proportioned: fixed and variable remuneration.

Fixed remuneration that consists mainly of base salary to which other fixed incomes can be added and remunerates the corresponding fulfillment by the employee of the position attributions, through its professional competencies, defined in the job description.

The main component of BRD remuneration is fixed remuneration, constituted based on the base salary.

The fixed remuneration is permanently adapted to the market context and regularly compared with the market practice, through salary studies, handled annually, that confer a benchmark for each job. The fixed remuneration level is strictly correlated with the relevant work experience, professional skills and organizational responsibility, accomplishing, under internal equity conditions, the offering of a competitive base salary and and/ or fixed incomes or benefits that meet the conditions of fixed remuneration, in accordance with the market level.

In addition to the fixed remuneration, the employee may obtain a variable remuneration, mainly as a bonus, that may be calculated as a percentage from the base salary.

Variable remuneration recognizes and rewards, according to specific activity criteria: the collective performance (of the Bank or of a structure) and the individual performance.

At BRD level, are performed monthly controls regarding the salaries of leasing employees to ensure that they are paid above the minimum wage in the economy.

The minimum wage is unique and established through Collective Bargaining Agreement at the bank level.

		The ratio between the minimum wage in the company for entry level employees and the minimum wage in the economy	
		Women	Men
BRD	2019	120%	144%
	2020	112%	112%
	2021	109%	130%

#### Shareholders' involvement in remuneration

The shareholders vote the Remuneration Policy for Executive and Non-executive Directors.

Further, shareholders will vote in April 2022 the remunerations report for Executive and Non-executive Directors. The Union is involved through the negotiation of the Collective Labor Contract.

The shareholders voted in 2021 the Remuneration Policy for Executive and Non-executive Directors and approved it.

#### Health and Safety of employees

##### **2 years of COVID-19 Pandemic – The measures taken to protect the people and the business**

Since the COVID-19 pandemic began, the main preoccupation of BRD Group was to ensure the safety and health of all its employees and ensure the continuity of the business activities. Thus, to manage as effectively as possible and limit the effects of the COVID-19 crisis, the BRD team updated starting with January 2020 the crisis documentation and actions plan for the pandemic scenario. A dedicated watch cell was set up starting with February 2020 and, in early March 2020, the BRD CEO activated a country watch cell to more efficiently share information on the topic between the different business lines, align as much as possible on the actions plan, get use of synergies and support each other. Immediately after, also in March 2020, the BRD CEO as Crisis Director declared the crisis situation and a Crisis Committee was activated for its management.

Due to the measures taken, during all the crisis situation up to now, the bank continued all the activities, providing all the banking products and services as per our global offer. Strategy for post-COVID is defined as well. Detailed plans taking into consideration the group strategy, health doctrine, the recommendations issued by EU Commission on Safety and Health at Work and those of our occupational health services provider were established.

The main measures taken to face the COVID-19 crisis and ensure the business continuity, permanently adapted to comply with local regulations, have been the following:

#### **Hygiene and safety measures**

- Disinfection of all spaces, gradually increasing the frequency according to the pandemic status and the confirmed cases, supplementary disinfection of branches/offices in situation of suspicion/confirmation of a positive case, frequent cleaning/disinfection of ATM, ROBO park, vehicles.
- Regularly providing protecting masks (medical or FFP2), disinfectant gel and gloves to the staff.
- Plexiglas barriers to all potentially exposed employees.
- Isolation of vulnerable staff at home, isolation at home of employees who have been exposed to the risk of contamination with coronavirus, as per the regulations in force.
- Protocol of actions in case a client or employee of the Bank presents symptoms, intervention plans and adapted internal and external communication; constant update of protocols in link with occupational medicine provider, medical authorities (Health Ministry, National Committee of Emergency Situation, National Public Health Institute) and legislative changes.
- Preventive testing for the most exposed categories of personnel or in multiple cases, at the cost of the Bank.
- Ensure safe transport by company taxi shuttles for employees exposed to the risk of contamination, reducing the number of persons coming to the office by public transportation.
- Cancellation or strict limitation of all business trips, trainings, closing of all bank' training centers; internal meetings only using the IT&C tools online and video-conference.
- Limiting the access of the visitors to the HQ's buildings and in the buildings with over 50 employees.
- Limiting the number of clients entering in the branches, allowing legal distance and the implementation of other measures to comply with government decisions, on demand security services for specific branches and/or periods.

#### **Human Resource measures to ensure financial security and business continuity, including measures as imposed by the law.**

- Paid days off for the employees who are parents, according to the legal framework.

- Intensive communication to the staff on health and safety measures started in very early stage, at beginning of February 2020.
- Health and Safety e-learning activities, including protective COVID measures for all staff.
- Conferences (webinars) on the protection measures and vaccination, supported by articles in the internal newsletter.
- Permanent information on vaccination possibilities and updates / reminders on the official platform.
- Additional days off for vaccination purpose, according to the law.
- Large extension of work from home program, mandatory wherever the activity allows it.
- Separation of teams into several locations/floors, using also the user recovery sites, to disperse the risk of contamination, while implementing flexible work schedules, to avoid exposing the staff to crowds of people;
- Psychological support cell (in specific cases such as death of an employee caused by COVID-19 infection).

**Business continuity and support for clients: very detailed business continuity plan adapted to COVID crisis.**

- Increasing Contact Center team and split in several locations to provide extended clients' services & support.
- Encouraging clients to use more intensively remote banking products: special offer of 3 months free of charge service and all payments (in Romania & SEPA). Clients were able to subscribe remotely through the BRD Contact Center.
- Developing new working flows to simplify and facilitate the clients access to banking products.
- Sustaining clients in difficulty with moratorium solutions for their credit facilities.
- Proactive external communication on the topics of most interest for our clients.
- A more frequent supply of ATMs with cash, especially during the weekends, specific market operations to ensure liquidity.

**Specific BCP for the BRD network of branches: temporarily closing branches, organization by shifts, providing staff to Contact Center and keeping operational backup teams.**

**Identification of the key external providers of the bank and ensuring close contact to coordinate on the business continuity plans activation.**

**Business Continuity Management related actions.**

- Crisis cell meetings held whenever necessary, even twice a day to swiftly make the necessary decisions on the actions plan.
- Organization of country crisis cell with all subsidiaries, even twice per week: share of information, experience, equipment, access to different resources between BRD and subsidiaries.

- Permanent communication with the SG Group crisis cell, daily and weekly reporting to SG concerning crisis evolution & country status.
- Communication with the local authorities and coordination within the professional associations on the specific COVID topics.

Ensuring a working environment in which the employees can safely perform their tasks and correctly respond to the needs of our customers is essential for the activities implemented by the Group. At the BRD Group level are implemented specific working procedures that guarantee the employees physical safety and psychological well-being. The management system of this aspect is ensured by the Human Resources Department - Internal Prevention and Protection Service that ensure the application of the national legislation and other voluntary standards.

In order to successfully manage all the aspects related to the health and safety of employees, the identification and evaluation of work-related hazards is the first step that is constantly performed by the BRD Group experts. The implementation of this activity strictly follows the provision of the Romanian Law No 319/2006. The assessment is realized by the internal Health&Safety Service specialists, which are certified for professional risk assessment through a specific post university program authorized by the Romanian Ministry of Education, and the occupational health doctor. The assessment is realized based on the methodology certified in Romania by the "Alexandru Darabont" National Research-Development Institute for Labor Protection.. This methodology evaluates the risk on four components of the work system: worker, work environment, work equipment and work tasks. The assessment is up-graded if the work conditions are modified or new or emergent risks appear (e.g., the COVID-19 pandemics), if occur changes in operating procedures or equipment, based on the results of incident investigations, following worker complaints or referrals, if occur changes in workers or workflow, based on the results of surveillance of work environment and worker health, including the evaluation of exposure monitoring (e.g., exposure to noise, vibration, dust). The Work incidents and professional illness are investigated according to the Law No 319/2006 and HG No 1425/2006. The flow is described in the Health and Safety Internal Regulation, published on the health and safety dedicated Intranet page. The global professional risk level is 3, according to methodology used, in a scale from 1 to 7. The risk level is classified as acceptable which means that the measure of prevention implemented must be maintained. All the workers can report the risks directly to their managers, to Health and Safety Service or by their representatives in the Health and Safety Committee.

All employees are trained about the health and safety risks related to the work places and which is the communication flow in case of work accidents and professional illness. These training activities are performed annually and can include also e-learning and face-to-face training course. All the employees are trained on health and safety matters at the employment and periodically – each six months for execution positions and each year for managers). A dedicated e-learning course related to occupational health and safety is ensured to all the employees. The employees must follow this e-learning course during the working hours. After following this e-learning course, the employee must go through an evaluation that requires a minimum of 70% correct answers. Furthermore, supplementary training course are ensured after the work accidents.

To the staff in leasing are applied all the health and safety provisions applied for the employees. The employees of the contractors (cleaning and security services) have to participate to an introductive health and safety training at the beginning of the activity in the bank sites regarding the rules and specific risks.

All the employees are also informed that they have the right to remove themselves from work situations that they believe could cause them or another person injury or ill health, based on the principle “Safety first”. This principle is applied in each company within the BRD Group and at all levels of responsibility.

Each work-related incident is carefully investigated in conformity with the GD (Government Decision) no 1425/2006. For each incident is realized a specific file regarding the investigation of work injuries that includes declarations, photos, relevant documents, risk identification, cause of the event, measures to avoid other similar events. The file is approved by the local Labor Inspection Office. In case of accidents which generates invalidity or death, or in collective accidents, the investigation is done by the local Labor Inspection Office.

In the hazard identification process and in the investigation of work accidents the involvement of the employees is ensured by their direct participation or by their representatives within the Health and Safety Committee. The employees can discuss about the work condition any time directly to their managers, Health and Safety Service, occupational doctor and their representatives in Health and Safety Committee.

The Health and Safety Committee is composed by 8 representatives of the employer, 8 representatives of the employees and one occupational doctor, and is organized at central level according to the Law no 319/2006, HG no 1425/2006 and internal regulations. The

committee meets quarterly. The minutes of the meeting are published on the Health and Safety Intranet page and are sent to the local Labor Inspection Office. Annually, the president of the Health and Safety Committee presents a report related to the status of employee health and safety within the Group.

The BRD Group ensure to all its employees specific occupational health services in conformity with the national legislation. These services are ensured by a specialized medical service provider that is identify by a specific procurement process. Through these services, the Group can evaluate the compatibility of the employees with the work position. This evaluation is realized before the employment and periodically, by annual medical check-ups. Each employee has the obligation to present himself at the annual medical check and this obligation is clearly specified in each job description. The medical checks are paid by the Group BRD, free of any fees for the employees. Specific investigations are established by the occupational doctor for each type of professional risk (shiftwork, driving etc.) according to the HG no 355/2007. The employees are programmed to the annual check by the health service provider and the Human Resource Department, only during the working hours. In the branches with a large no of employees (county branches) the medical team come on-site. In Head Office location Tower and City Office, there are on-site medical offices. After the medical check, a file is provided by the occupational doctor to the Health and Safety Service and Human Resource Department, which includes a conclusion of the exam (if the employee is able or not for the workplace) and includes recommendations to organize the workplace. All the information related to the health status of the employees is strictly confidential and are implemented specific procedures that ensure this. The flow is described in Health and Safety Internal Regulation and published on the Health and Safety dedicated Intranet page.

The BRD Group offers also to all its employees' preventive medical packages which include free medical consultation, imagistic investigations, blood analysis, physiotherapy/kineto-therapy, psychology. Furthermore, different webinars are organized on specific health subjects, such as vaccination, COVID-19, smoking, etc. Also, the Group BRD offers fife insurance for decease, invalidity, surgery, work accidents incapacity after a work accident, health insurance policy and financial help in case of serious or incurable disease.

### Work-related injuries

Employees	UM	2019	2020	2021
Fatalities as a result of work-related injury	number	0	0	0

High-consequence work-related injuries (excluding fatalities)	number	14	8	2
Recordable work-related injuries	number	14	8	2
The main types of work-related injury	Text	fractures	fractures	fractures

Workers who are not employees but whose work and/or workplace is controlled by the organization	UM	2019	2020	2021
Fatalities as a result of work-related injury	number	0	0	0
	rate	0	0	0
High-consequence work-related injuries (excluding fatalities)	number	0	0	0
	rate	0	0	0
Recordable work-related injuries	number	0	0	0
	rate	0	0	0
The main types of work-related injury	Text	N/A	N/A	N/A

#### Work-related ill health

Employees	Unit measure	2019	2020	2021
The number of fatalities as a result of work-related ill health	number	0	0	0
The number of cases of recordable work-related ill health	number	0	0	0
The main types of work-related ill health	Text	N/A	N/A	N/A

Workers who are not employees but whose work and/or workplace is controlled by the organization	UM	2019	2020	2021
The number of fatalities as a result of work-related ill health	number	0	0	0
The number of cases of recordable work-related ill health	number	0	0	0
The main types of work-related ill health	Text	N/A	N/A	N/A

## 2.4 Community Development

For BRD, culture, education and technology are essential for building a sustainable future, but also for facilitating the access of young generations to complementary resources, through which they can develop. Therefore, BRD continuously supports education and technology, culture and volunteering, for the benefit of the communities where it operates. As a result of all the actions implemented over time by BRD in these areas, the organization has become a significant contributor to the promotion of culture, young generation, to reducing educational disparities and illiteracy and to the protection of the environment

To maximize the effects of its involvement in social responsibility projects, the Bank will continue to focus on supporting projects<sup>20</sup> in the following areas: culture, sports, social, education and environment. Additionally, BRD encourages the involvement of its employees in volunteer projects with beneficial effects within the local community. Therefore, it will support, with priority, projects that allow the participation of the Bank's staff.

### Building together the future for Romanian society

Whether sharing team spirit and the values of sport and fair play, supporting the young generation in contemporary art and classical music, or working for a truly educated and inclusive society, our commitments are always held over the long term. They illustrate our confidence in a united and sustainable future.

### Cultural Patronage

In 2021, BRD continued to invest in supporting contemporary culture and young creators. The cultural sector was still affected by the closure of theaters, museums and cultural spaces.

**Fundația9** which works with more than 300 visual artists, curators, musicians, journalists each year, to produce and promote the new Romanian culture, continued its programs - **Scena9**, the online and printed cultural journalism platform and **BRD Scena Residence** - the cultural center in Bucharest dedicated to the new generations of creators. Together, the Foundation's programs have reached over 1 million consumers, especially young people, and over 100 cultural events, contemporary art exhibitions, debates, children's workshops, film and music evenings.

Classical music continued in 2021, BRD partners managing to schedule all planned concerts, even in special conditions. We had over 60 music concerts in all regions of the country, the most important partnerships being Sonoro Conac, Sonoro Musikland, Violoncellissimo, TAM TAM Festival, Stradivarius Tour or Euphonia.

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## SPORT

BRD Groupe has been, for seven years, the official partner of the Romanian Handball Federation, the sponsor of the Romanian national handball teams. In this capacity, BRD is next to Romanian handball, a proud supporter of all the performances obtained during this period - the bronze medal at the World Women's Handball Championship in 2015, the 4th place at the European Handball Championship in 2018, both obtained by the senior women's national team, as well as the gold medal at the World Junior Championships, won by the Under 18 women's national team in 2014.

The bank also encourages people with disabilities to play sports by supporting handball and tennis competitions.

## TECHNOLOGY & INNOVATION

In the field of technology and innovation, BRD supports the training of key players (new generation of tech creators – students, teachers, entrepreneurs, NGOs) for a digital society. The projects that BRD developed are focusing on education in STEM disciplines, R&D in AI and machine learning and tech entrepreneurship: BRD First Tech Challenge Romania (5<sup>th</sup> edition) involving 3,000 students and 800 teachers involved in 80 cities, robotics laboratories within the Polytechnic University of Bucharest (supported by BRD since 2016), Innovation Labs – accelerator for tech start-up (5<sup>th</sup> year of partnership), partnership with Applied Data Science Center (3<sup>rd</sup> year of partnership). In 2021, these programs took place mainly online, bringing together important actors: pupils, students, teachers, young entrepreneurs, experts and impacted over 50,000 beneficiaries.

MINDCRAFT Stories our media platform for the public passionate about technology and science had over 450,000 visitors in 2021. We open conversations about technological discoveries, inventions, paying particular attention to the Romanian scientific landscape, COVID Reports, scientific discoveries related to the pandemic, environment and biodiversity.

## MODERN EDUCATION & INCLUSION

In Romania, 42% of kid's age 15 are functional illiterates. An OECD study shows that this situation has a huge impact on Romania's GDP. Eliminating illiteracy would have an impact of + 200% in country's GDP. An impactful solution needs to address this issue for the teacher's perspective and provide instruments, training and constant support so they work with every child to overcome the gaps. A solution is **Alfabetar**, a digital platform with more than 10 NGOs participating, with resources for teachers, developed by **Asociatia pentru valori in Educatie**, an NGO working to transform education in Romania.

Together we launched the platform in 2021 and in few months, 100 schools were involved in a "deep dive" literacy on-boarding program, working directly with literacy experts, hundreds of resources refined / produced (after being tested in classroom) by teachers. Other results: 30,000 pupils were tested in order to determine literacy gaps and 650 supported to close significant education gaps, 10 schools have reading corners and ~900 books were delivered to teachers and schools for reading corners set up.

Another platform, this time covering another priority area is education is “Scoala9”, over 1.5 million readers, launched by BRD in 2018. The publication is an approach to support the modernization of pre-university education, it has become, in a short time, a space that brings together ideas and launches a challenge to dialogue to all actors - teachers, parents, students, decision makers (institutions), education specialists - with regarding the direction in which the Romanian education is heading.

BRD has an ongoing editorial partnership with the Ringier group, which led to an increase in the number of readers, with over 1.400,000 unique users on the platform.

## **SOLIDARITY&VOLUNTEERING**

**Ziua V, BRD internal volunteering program** stimulates the involvement of our colleagues in volunteering projects that generate change in local communities. Even more, the Bank facilitates their involvement and allocates 1 day/ year/ employee for volunteering actions. Launched in 2018, the program is based on a special online platform, where 2,550 employees registered to access volunteering opportunities in different areas and intervention domains.

In 2021, more than 1,250 BRD employees participated to 16 volunteering programs like and 806 new employees were registered on the platform. Our colleagues were involved in programs such as: mentorship in benefit of children in foster care system, charity races, blood donation campaigns, and money donations to support single moms, poor families and programs for children in hospital, Christmas Gifts for children in disadvantaged communities.

## **ENVIRONMENT AND BIODIVERSITY**

The Forests in Romania and the biodiversity is an important cause for us. In 2021, through BRD Forests Fund we were involved in a program monitoring and protecting a valuable forest in the Sibiu area, together with the WWF Romania Foundation and a reforestation project in Deleni (Iasi County), on an area of 60 hectares. The latter project is a joint venture with several entities in the SG Group in France and Romania. The program carried out by the French company EcoTree involves the restoration of the soil, forest lakes and the reforestation. 40,000 trees were planted, by local people.

The project is important precisely because of the multiple effects it has on the environment, people and the local economy.

## 2.5 Procurement Practices

Within the BRD Group, the Procurement Department is strategic for the achievement of sustainability objectives considering the impact it has in pursuing our principles and values among all the Group's business partners. Thus, specific measures are in place to growth the awareness of sustainability among all the suppliers that are working with the BRD Group's companies and also with the potential suppliers that want to start a business relationship with the BRD Group. The objective is to maintain close business relationship based on trust and respect with all the business partners.

At the Group level, the BRD Procurement Department is responsible for the defining the procurement policy and procedures. Each company within the Group has own responsibilities in implementing procurement actions based on their needs. For procurements over EUR 50,000 and significant outsourced services, the Procurement Department of BRD is involved for input and validations according to its own management. Executive Directors validate all procurements, and depending on the financial threshold, upper governance bodies are consulted. Compliance Department validates all contracts. Specific procedures are as well in place for the due-diligence of knowing the suppliers before entering into relation with one of the companies within the BRD Group, as well as for continuous monitoring during the implementation of the contracts. The supplier assessment is executed by collecting identification documentation from the supplier, as well as cross-checking the data in different databases (reputational checks). During the procurement process the main roles are covered by the internal budget owner, the Compliance Department, The BRD Procurement Department – for values bigger than EUR 50.000), and executive management.

The BRD Procurement Department is also responsible for sharing best practices in the area of procurement within all the BRD Group, by organizing internal workshops.

Starting with 2019, any procurement act performed on behalf of BRD Group must comply with the principles and commitments of responsible procurement included in the Sustainable Sourcing Charter. This Charter is applicable within the whole SG Group and is the result of a joint initiative between French banking and insurance operators looking to involve their suppliers in the due diligence process. It sets out the Group's sustainability commitments, obligations and expectations with respect to its suppliers.

Since 2019, all procurement contracts with a value bigger than EUR 50,000 include mandatory CSR clauses. In case of need of a derogation regarding CSR contractual clauses, this is done only after the budget owner consults the dedicated compartment within the General Secretariat of the Bank. In 2021 42% of the supplier contracts had CSR clauses.

Based on the updating of the procurement procedures occurred during 2020, starting with October 2020, for the procurements with a value bigger than EUR 50,000, environmental and social risks related to products and services are evaluated based on the CSR Risk Matrix. For the acquisitions of products and services included in the “very high risk” category from the CSR point of view, evaluation criteria of the suppliers and minimum CSR requirements are established, transposed in the selection process, respectively in the contracting part. During the selection process, the suppliers are also verified within the SG Group CSR exclusion lists – “*CSR Watch List & CSR Exclusion Risk*”.

The Procurement Department has also a crucial role in achieving the objectives established by a specific program. By this project the Group is committed to reduce carbon emissions by 50% between 2019 and 2030 by improving the energy efficiency aspects for the Group premises and the IT scope, or by rethinking the usage model of air travel and car fleet categories. On these last two items, the Procurement Department has an advisory and steering role with the Group’s entities in order to help them to achieve the objectives established. The Procurement Department closely works as well with Sourcing Network on different streams to support business units in the identification of levers and to monitor local targets achievement for carbon footprint (Energy / Air Travel / Car Fleet) and single use plastics (Catering / Vending machines / Events / Goodies / Office supplies). An important step was made in this direction by the Procurement Department that was able in 2021 to provide green energy for the BRD.

Project *Source to Pay* has as purpose is to introduce / update all letter contract documents in Oracle and launch orders from in-application contracts (release), without launching standard orders.

Supply Chain		UM	2019	2020	2021
BRD	Total number of suppliers of the organization engaged (local&external)	No	4,061	3,497	3,446
	Out of which local <sup>21</sup> suppliers of the organization engaged	No	3,927	3,369	3,323
	Out of which external suppliers of the organization engaged	No	134	128	123

BRD	% from the total procurement in 2019 <sup>1</sup>	% from the total procurement in 2020 <sup>2</sup>	% from the total procurement in 2021 <sup>3</sup>
Expenditures with the local suppliers	40%	39%	41%

<sup>21</sup> Definition of local suppliers: company registered in Romania

Expenditures with the other suppliers	13%	13%	10.4%
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<sup>1</sup>Data cover only the 53% of suppliers within the perimeter of Procurement Department

<sup>2</sup>Data cover only the 53% of suppliers within the perimeter of Procurement Department

<sup>3</sup>Data cover only the 53% of suppliers within the perimeter of Procurement Department

Proportion of spending on local suppliers*		UM	2019	2020	2021
BRD	Local suppliers	No	225	192	169
	Other suppliers	No	34	29	25

\* Data for acquisition centralized and carried out by the Acquisition Department

## 2.7 Direct environmental impact

As one of the biggest Romanian players from the financial sector, the BRD Group is well aware of the direct impacts on the environment deriving from its activities. Even if, in general, the bank activities are not classified as harmful for the environment, in order to comply with the ambitious environmental objectives established at the SG Group level, the BRD Group seriously manages all the relevant aspects (such as: energy consumption, GHG emissions, water consumption, waste generation, etc.) that can contribute to reduce its negative impacts on the environment.

Being the BRD Group present at the national level with almost 500 agencies/branches, the most important direct impacts on the environment derive from the operational activities that are essential for the functioning of all the services the bank is offering to its clients.

	UM	2018/2019	2019/2020	2020/2021
Buildings	No	680	617	576
Occupant	No	7,488	5,807	5,106
Surface	m <sup>2</sup>	263,156	257,343	240,611

Thus, at the Group level it is implemented a system that allows the constantly monitoring of specific environmental key performance indicators established for the relevant environmental aspects: energy, emissions, water, wastes, transport, and management of buildings. This mechanism, aligned with the SG Group, allows to measure the effectiveness of the programs implemented to reduce the BRD Group environmental footprint.

In order to improve the energy efficiency performance at the SG Group level and reduce by 50% the carbon footprint until 2030<sup>22</sup>, at BRD Group level it will be implemented a specific program. The program aims to define the SG Group path to reduce the global carbon emissions, in order to reach a Net-Zero carbon by 2050. Based on the International Energy Agency (IEA) scenario, and aligned with the Paris Agreement, were defined the targets for short/mid/long term, for each stream of the program: energy (about 62% of our carbon emissions included in Scopes 1 and 2);

<sup>22</sup> This target has been established by the SENCHA program.

automobile fleet (about 8% of Group carbon emissions); travels (about 15% of Group carbon emissions); others (about 15% of Group carbon emissions).

Additionally, at BRD level it started a process to update the energy management system and certify an energy manager that will be responsible of the regional team and for the identification and implementation of the specific projects.

Starting with 2012, BRD is implementing, at the Bucharest headquarter, an energy efficiency program that consists in optimizing the LED lighting system. Until now, by implementing this project, at Company level we were able to obtain an annually energy saving of 686,620 kWh. Also, between 2019 and 2020, at the Bucharest headquarter, the Company has implemented a project to modernize the cooling production system by replacing two chiller units with other units that are able to ensure a much better seasonal efficiency. The two new units are equipped with the free cooling module that ensures minimum costs for cooling in the cold period of the year. Furthermore, primary and secondary heat pumps and Heat exchanger were replaced. The old pumps were preplaced with pumps equipped with frequency converters. By implementing this project, we have obtained an annual energy saving of 1,200,000 kWh.

Energy Consumption <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
Total fuel consumption within the organization from non-renewable sources <sup>2</sup>	KWh	590,971	605,756	533,557
Total electricity consumption <sup>3</sup>	KWh	29,745,579	28,111,612	26,027,438
Total heating consumption <sup>4</sup>	KWh	23,362,909	22,833,795	25,393,051
Total steam consumption <sup>5</sup>	KWh	2,963,749	2,472,647	2,627,524
<b>Total energy consumption within the organization</b>	<b>KWh</b>	<b>56,663,208</b>	<b>54,023,810</b>	<b>54,581,570</b>

<sup>1</sup> The reported data refers to the period October – September. The data reported refers only to the buildings owned or leased by BRD Group.

<sup>2</sup> Diesel for CT (thermal power plant) and GE (generator).

<sup>3</sup> Include total cooling consumption.

<sup>4</sup> Gas

<sup>5</sup> District heating

Energy Intensity	UM	2018/2019	2019/2020	2020/2021
Energy intensity ratio <sup>1</sup>	KWh/occupant	7,567	9,303	10,690
	KWh / m <sup>2</sup>	215	210	227

<sup>1</sup> The data regarding the energy intensity ratio are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

In addition to the projects presented above, in all the projects regarding branches modernization energy efficiency and carbon footprint reduction represent a very important component.

GHG emissions Scope 1 <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
Total GHG Emissions Scope 1	tCO <sub>2</sub>	5,905	5,391	5,941
<i>out of which CO2 emissions related to fuel oil consumption (excluding cars)</i>	tCO <sub>2</sub>	191	196	173
<i>out of which CO2 Emissions from gas consumption</i>	t CO <sub>2</sub>	5,701	5,183	5,764
Total CO2 emissions due to fluorinated gases.	tCO <sub>2</sub>	13	11	4
Please specify the fluorinated gases and the quantities.		Freon R 407C	Freon R 407C	Freon R 407C

<sup>1</sup>The reported data refers to the period October – September. The data regarding the emissions generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

GHG emissions Scope 2 <sup>1</sup>	UM	2018/2019	2019/020	2020/2021
Total GHG Emissions Scope 2	tCO <sub>2</sub>	11,249	10,243	9,892
<i>out of which CO2 emissions due to electricity consumption</i>	tCO <sub>2</sub>	10,230	9,415	8,985
<i>out of which CO2 emissions due to externally produced iced water consumption</i>	t CO <sub>2</sub>	NA	NA	NA
<i>out of which CO2 emissions due to consumption of externally produced steam or superheated water</i>	t CO <sub>2</sub>	1019	828	907

<sup>1</sup>The reported data refers to the period October – September. . The data regarding the emissions generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

GHG emissions Scope 3 <sup>1</sup>	UM	2018/2019	2019/020	2020/2021
<b>Total GHG emissions scope 3</b>	tCO <sub>2</sub>	2,917	1,988	3,422
<i>out of which CO<sub>2</sub> emissions due office paper consumption</i>	tCO <sub>2</sub>	1,113	638	736
<i>out of which CO<sub>2</sub> emissions due to business trips by train</i>	t CO <sub>2</sub>	2	2	0
<i>out of which CO<sub>2</sub> emissions due to business trips by plane</i>	t CO <sub>2</sub>	347	96	4
<i>out of which CO<sub>2</sub> emissions due to business travel by car</i>	t CO <sub>2</sub>	1,099	962	1,259
<i>out of which CO2 emissions due to goods transport</i>	t CO <sub>2</sub>	2	2	1.205
<i>out of which CO2 emissions related to non-office paper consumption</i>	tCO <sub>2</sub>	190	141	143
<i>out of which CO2 emissions related to electricity consumption of data centers hosted</i>	tCO <sub>2</sub>	NA	NA	NA

<sup>1</sup>The reported data refers to the period October – September. The data regarding the emissions generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

GRI 305-4 GHG emissions intensity <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
GHG emissions intensity ratio	tCO <sub>2</sub> /pers	2.68	3.03	3.77

<sup>1</sup>The reported data refers to the period October – September. The data regarding the emissions generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic. In the calculation of this indicator the following type of emissions were considered: GHG emissions Scope 1, GHG emissions Scope 2, and GHG emissions Scope 3.

The BRD Group is also committed to optimize the fuel consumption of its fleet by reducing car travels and by introducing in our fleet electric cars. Also in 2021, the BRD applied for eco-vouchers within the “Program on reducing greenhouse gas emissions in transport, by promoting clean and energy efficient road transport vehicles 2020-2024” Through this program 4 cars were bought (2 full electric and 2 hybrid). During 2021, the project that facilitates the automation of roadmaps in the management of the BRD fleet continued to be implemented.

Another important element that it is carefully considered by the BRD Group in reducing its environmental impacts is the management of the material resources necessary to carry out its day-by-day activities. The paper consumption is closely monitored and specific project are implemented in order to reduce it.

Materials used by weight or volume	UM	2018/2019	2019/2020	2020/2021
Quantity of office paper (classic and recycled paper) bought <sup>1</sup>	Kg	542,730	311,244	358,995
Total Quantity of paper used	Kg	636,488	380,661	429,289
Quantity of paper used for customer statements of account and quantity of personalized envelopes	kg	8,906	9,190	12,726
Quantity of paper used for business documents, including letterhead and personalized envelopes	Kg	82,145	59,231	56,535
Quantity of unmarked envelopes	Kg	1,566	280	294
Quantity of chequebooks and cheque deposit slips produced	Kg	1,141	716	739

<sup>1</sup> The whole quantity of office paper bought is eco-labelled (COPY PAPER BLUE- produced by MONDI Slova).

For this reason, at the Group level has started the project that promote the electronic signing of documents and the implementation of an electronic archiving project. The digitalization of all the document process will help us to improve the BRD Group sustainability performance with a direct impact also in reducing its indirect emissions deriving from the courier services. Of course, the Group is well aware that while growing digitalization needs within all the companies, a bigger demand of energy will be necessary. For this reason, the project “Green IT” is under implementation.

In all the companies within the BRD Group is implemented the selective collection of waste and, at the Bucharest headquarter a household waste compactor is in place. The entire generated quantity of WEEE cardboard and paper waste is diverted from disposal.

Waste generated <sup>1</sup>	UM	2018/2019	2019/2020	2020/2021
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<b>Total waste generated</b>	<b>Kg</b>	<b>447,990</b>	<b>401,590</b>	<b>212,360</b>
<i>out of which WEEE Waste</i>	Kg	10,510	12,680	5,160
<i>out of which Cardboard</i>	Kg	6,900	8,600	8,000
<i>out of which Paper</i>	Kg	16,150	18,730	14,000
<i>out of which other types of waste (miscellaneous)</i>	Kg	414,430	361,580	185,200

<sup>1</sup>The reported data refers to the period October – September. Data refers only to headquarters. The data regarding the waste generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

<b>Waste diverted from disposal<sup>1</sup></b>	<b>UM</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>Total non-hazardous waste diverted from disposal</b>	<b>Kg</b>	<b>33,560</b>	<b>40,010</b>	<b>27,160</b>
<i>out of which WEEE Waste</i>	Kg	10,510	12,680	5,160
<i>out of which Cardboard</i>	Kg	6,900	8,600	8,000
<i>out of which Paper</i>	Kg	16,150	18,730	14,000

<sup>1</sup>The reported data refers to the period October – September. Data refers only to headquarters. The data regarding the waste generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

<b>Waste directed to disposal<sup>1</sup></b>	<b>UM</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>Total non-hazardous waste directed to disposal</b>	<b>Kg</b>	<b>414,430</b>	<b>361,580</b>	<b>185,200</b>
<i>out of which other types of waste (miscellaneous)</i>	Kg	414,430	361,580	185,200

<sup>1</sup>The reported data refers to the period October – September.. Data refers only to headquarters. The data regarding the waste generated are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

	<b>UM</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>Water Consumption<sup>1</sup></b>	<b>m<sup>3</sup></b>	<b>65,761</b>	<b>54,995</b>	<b>48,079</b>

<sup>1</sup> The reported data refers to the period October – September. The data regarding the water consumption are not extremely relevant having in view that during the years 2020 and 2021, employees worked mostly from home due to enforced state of alert given by the COVID pandemic.

BRD has implemented a program for collecting and recycling waste from electrical and electronic equipment, in partnership with the associations Recolamp and Ateliere fara Frontiere (AFF). In 2021, BRD handed over 80 kg of light bulbs free of charge to Recolamp and 5.2 tons of electrical and electronic waste to the Ateliere fara Frontiere Association and other WEEE waste collector.. Another project implemented was the installation of a waste compactor in the BRD headquarter in September 2021 which reduce the volume of miscellaneous waste by 40%.

### III. Annexes

#### 3.1. External initiatives

SG Group has shown its proactive commitment since 2000 to the following public or private initiatives:

2000: founding member of the Wolfsberg Group;

2001: joined the United Nations Environment Programme Finance Initiative (UNEP-FI);

2003: joined the United Nations Global Compact, which encourages companies to integrate principles relating to human rights, working conditions and the fight against corruption;

2007: adopted the Equator Principles;

2014: support for the Green Bond Principles;

2014: Lyxor signed the Principles for Responsible Investment

2015: signed a Global Agreement on Fundamental Rights with UNI Global Union (renewed in February 2019);

2015: launched the “Positive Impact Manifesto” of the UNEPFI;

2015: joined the “Soft Commodities Compact” of the Banking Environment Initiative (with the Consumer Goods Forum) to fight tropical deforestation;

2015: subscribed to the “Principles for Mainstreaming Climate Actions within Financial Institutions”, launched during COP21;

2016: signed the Women’s Empowerment Principles – WEP, Professional Equality Charter of United Nations, and the International Labour Organization’s Global Business Charter on Disability

2017: Adoption of the Principles for Positive Impact Finance (UNEP-FI);

2017: Supporting the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD);

2018: Katowice commitment to align financing portfolios with global climate objectives;

2018: Société Générale is the first French bank to join the Climate Bonds Partner Programme, an international network of financial actors working with Climate Bonds to shift investment towards a low-carbon and climate resilient economy.

2019: Signs Poseidon principles that promote low carbon emissions for the global shipping industry, by integrating climate objectives into portfolio management and bank lending decisions.

- The Group is aligned with the Paris Agreement and helped found the Net Zero Banking Alliance in April 2020.

BRDAM is undergoing adherence to UN Principles for responsible investment which is scheduled to be finalized by mid-2022

### 3.2. Membership of Associations

1. Council of Banking Employers in Romania (CPBR)
2. Romanian Association of Banks (ARB)
3. Foreign Investors Council (FIC)
4. Chambre Francaise de Commerce, D'Industrie et D'Agriculture en Roumanie (CCIFER)
5. Chambre de Commerce Suisse-Roumaine
6. Electronic Payments Association (APERO)
7. Romanian Association for Privately Administered Pensions (APAPR)
8. Factors Chain International (FCI)
9. National Committee of Foreign Trade Advisers of France
10. Petroleum Club Association
11. Bucharest Chamber of Commerce and Industry
12. American Chamber of Commerce in Romania (Am Cham)
13. British Romanian Chamber of Commerce
14. Romanian Factoring Association
15. Chamber of Commerce and Industry of Covasna
16. APERO (ghiseul.ro)
17. German-Romanian Chamber of Industry and Commerce (AHK)
18. Chamber of Commerce and Industry of Brasov
19. Center for Alternative Banking Dispute Resolution (CSALB)
20. Francophone Business Club Cluj
21. Timis Chamber of Commerce, Industry and Agriculture
22. Chamber of Commerce and Industry of Mures
23. Chamber of Commerce and Industry of Bistrita Nasaud
24. Arges Businessmen Association
25. Banat German Economic Club
26. Francophone Business Club Brasov
27. Chamber of Commerce and Industry of Prahova
- BRD Sogelease**
28. Romanian Association of Financial Companies (ALB)
- BDRAM**
29. AAF - Association of Fund Administrators

### 3.3. Awards



**Acknowledged performance in banking, leasing  
and alternative savings**

**Best ROA, Best ROE**, awarded by Piata Financiara  
**Best NPL dynamic**, awarded by Piata Financiara  
**Bank of the Year in Risk Management**, awarded by Piata  
Financiara  
**Best Bonds Fund (BRD Obligatiuni)**, awarded by Piata  
Financiara to BRD Asset Management  
**Best in Financial Leasing**, awarded by Piata Financiara to  
BRD Sogelease



**Recognized know-how in cash  
management, custody and trade  
finance**



**Best Treasury&Cash  
Management Bank  
in Romania**

**Best Sub-custodian  
Bank  
in Romania**

**Best Trade  
Finance  
provider  
in Romania**

### 3.4. EU Taxonomy

The information related to EU Regulation 852/2020 will be reported by SG Group for all its subsidiaries.