

# Opinion of the Internal Audit Service of Sberbank for the year 2020

To the shareholders  
of Sberbank  
To the Supervisory Board  
of Sberbank

This opinion has been prepared in accordance with the requirements of Federal Law No. 208-FZ “On joint stock companies” dated 26 December 1995.

## Main finding

The results of the audits conducted by the Internal Audit Service (hereinafter, the Service) during 2020 confirm that the internal control system, risk management system, and corporate management

of Sberbank (hereinafter the Bank) are generally adequate to the nature and scale of the operations performed and the level and combination of the risks accepted.

No violations, errors or weaknesses in the operations of the Bank that could pose threats to the shareholders’, creditors’ and investors’ interests or affect the financial strength of the credit institution were defined.

## Assessment of the internal control system

The goals, principles and approaches, in accordance with which the Bank builds up the internal control system, are defined in the Policy of Sberbank on the organization of internal control, approved by the Bank’s Supervisory Board.

In accordance with the requirements of Federal Law No. 395-1 “On banks and banking activities” dated

2 December 1990, the Charter of Sberbank contains information on the system of management bodies, including internal control bodies, on the procedure for their establishment and their powers.

The internal control and risk management systems in the Bank are being built under the three lines of defense model.

As part of the 1st and the 2nd lines of defense the Bank

provides for the involvement of all the credit institution's staff in internal control in line with its responsibilities.

The Service, as the 3rd line of defense, provides an independent assessment of the internal control effectiveness. As part of its activities, the Service audits all the Bank business areas with any business unit and any employee of the credit institution being subject to audits.

Control procedures prescribed by the Work plan<sup>1</sup> of the Service for the year 2020 were fully implemented, 3.2 thousand audits were conducted. The management of the Bank

and structural units of the Bank were duly informed of the results achieved in all the audits.

The Management of the Bank and owners of business processes promptly take measures to solve the problems in the Bank's processes identified by the Service. In 2020, based on audits carried out by the Service, the Management of the Bank issued more than 1.3 thousand assignments to address problems in the Bank's processes. Progress in the assignments based on the audits is being monitored by the Service. Based on the results of assignments executed by the business 378 processes

of the Bank were improved (18% of the total number of processes).

The Supervisory Board of the Bank at its meeting, including when discussing reports from the Service, regularly considers issues of reliability and efficiency of the internal control and risk management systems, as well as corporate governance and improving their efficiency.

### **Assessment of the risk management system**

The Bank manages the Group's risks and capital in accordance with the Sberbank Group's Risk and Capital Management Strategy,

approved by the Supervisory Board of the Bank and outlining the basic principles of building the risk and capital management system in line with the requirements of the Bank of Russia, legal acts of the Russia Federation, recommendations of the Basel Committee on Banking Supervision.

As the 3rd line of defense, the Service provides an independent assessment of the risk and capital management systems' effectiveness, particularly monitoring the effectiveness of the methodology for assessing banking risks and procedures for managing banking risks.

<sup>1</sup> The Audit Plan of the Internal Audit Service for 2020 was approved by the Supervisory Board of Sberbank (Minutes dated 12 November 2019 №28 §6 cl.2).

In 2020, the Service audited:

- 100% (10) of significant risks identified by the Bank (credit risk, country risk, market risk of trading book, currency risk of banking book, interest rate risk of banking book, risk of market credit spread of banking book, operational risk, liquidity risk, model risk, risk of technologies);
- 100% (10) of IRB applications<sup>2</sup>.

The Bank of Russia assesses internal procedures for assessing capital adequacy (ICAAP), including using the materials of the Service's audits. Based on assessment the Bank of Russia didn't apply

additional requirements to capital adequacy ratios of the Bank.

### **Assessment of the corporate governance system**

Main approaches, requirements and principles of the Bank corporate management system functioning are approved in the Corporate Governance Code of Sberbank by the Supervisory Board of the Bank.

Specific procedures and corporate management practices followed in the Bank are described in detail and governed by the Charter and internal documents of the Bank. The corporate governance system

is focused on protecting the shareholders' rights and interests, improving business performance, increasing the Bank's transparency and investment attractiveness, preservation and increasing its share capital.

The Service also considered the following issues when conducting audits in 2020:

- compliance with the separation of powers and responsibilities in management;
- matching competence and qualifications to the scale of operations;
- adherence to the principles of business ethics and anti-corruption, policies on

potential and existing conflict of interest, and also on confidential and insider information.

During the annual monitoring of the quality of corporate governance of Sberbank by the Russian Institute of Directors, the value of the National Rating of Corporate Governance (NRCG) assigned to the Bank was confirmed at the level on NRCG 8+.

### **Independence of the Service**

The Service reports to the Supervisory Board of the Bank and is administratively subordinate to the CEO, Chairman of the Executive Board, oper-

<sup>2</sup> Application for permission to apply banking risk management techniques and quantitative risk assessment models to determine the magnitude of credit risk based on internal ratings in order to calculate the Bank's capital adequacy ratios.

ates in full compliance with the principles of business continuity and consistency, independence, impartiality, integrity, objectivity and professional competence.

No limitations on the powers of the Service in its discharge of internal audit functions, which may affect the performance of these functions in 2020, were identified.

In 2020, the Audit Committee of the Supervisory Board confirmed that the Bank ensured

the independence of the Service and rated the Service performance and job performance of the Head of the Service as effective.

The Head of the Internal Audit Service of Sberbank;  
Senior Managing Director, Director of the Internal Audit Division of the Central Head Office  
O. Chistyakov

## Explanatory information

### **The Service's opinion was reviewed by the Audit Committee of the Supervisory Board.**

The decision to include the conclusion of the Service in the list of information(materials) provided for familiarization to persons entitled to participate in the annual General Meeting of Shareholders of Sberbank at the end of 2020 was made by the Bank's Supervisory Board at a meeting on March 19, 2021.