

## **SBERBANK OF RUSSIA**

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APPROVED

by the decision of the Supervisory Board  
(Minutes No. 42 dated 08.12.2020)

**CODE**

**of Corporate Governance of Sberbank**

Moscow, 2020

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## I. Introduction

As we acknowledge the relevance of adhering to high standards of corporate governance with the view to sustainable business development and understand the importance of respecting and assuring the rights and legal interests of the shareholders, Sberbank of Russia (hereinafter Sberbank, the Bank) defines in this Corporate Governance Code (hereinafter the Code) key approaches and benchmarks that underlie the corporate governance system of the Bank (hereinafter - the CG System), as well as voluntarily adopted standards that establish and regulate the corporate relations procedure.

Considering that corporate governance is evolutionary in nature and its development is based on the results already achieved and examples of best practices, the updated Code reflects changes in the corporate governance practices of Sberbank (hereinafter referred to as CG practices) that have occurred since the Code was first approved in 2015, current regulatory requirements as well as novelties of the best national and international CG practices applicable to the Bank.

Over the past five years, the Bank has become a technological company, while providing the best banking solutions for its customers. Sber created an ecosystem that unites the Bank and the companies of its group; it offers the customers financial, non-financial, and new technological products. The new business model meets a significant part of the most common needs of our customers. We seek to promote long-term, sustainable and harmonious development taking into account the interests of a wide range of stakeholders. Our key objectives and priorities are reflected in the [Development Strategy](#).

The key prerequisites for the changes in the Bank's CG System were as follows: change of the controlling shareholder, digitalization of corporate governance processes, the start of ESG<sup>1</sup>-transformation, which is undoubtedly a trend of modern times in the framework of which the Bank intends to achieve its sustainable development goals in order to effectively address the most important environmental, economic and social issues.

This Code is a public document, which consists of a set of principles and standards on which the Bank's CG System is based and which are developed in accordance with the requirements of Russian law by the best Russian and foreign experts in the field of corporate governance.

Specific procedures and internal norms of CG practices are set out in more detail and regulated by the Charter and corresponding internal documents of the Bank. The Code and internal documents that regulate corporate documents are disclosed on the [Bank's website](#).

The Bank undertakes to carry out work on continuous consistent improvement of the CG System with due regard to the interests of its stakeholders<sup>2</sup>, including reasonable differentiated cascading of corporate governance standards and practices to the Bank's subsidiaries.

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<sup>1</sup>ESG (environmental, social and corporate governance) are the principles for company development, based on environmental protection, conscientious interaction with employees and customers, and proper corporate governance.

<sup>2</sup>Stakeholders are shareholders, investors, customers, partners, Bank employees, regulatory bodies and the society.

## II. Sberbank's Corporate Governance Principles

Sberbank has existed for nearly two centuries, and another milestone of its history happened in 1991, when the Bank was transformed from a state-owned institution into a joint-stock company, it was then that the current CG system started to take its form.

By corporate governance we refer to the system of interrelations between the shareholders, the Supervisory Board, management and other stakeholders, which sets out the rules and procedures for taking corporate actions and ensures management and control over the Banks' activities.

In addition to complying with the corporate governance requirements stipulated by Russian law and the Listing Rules of Moscow Exchange, Sberbank follows the recommendations of the Corporate Governance Code of the Bank of Russia and annually submits a report on their compliance.

Sberbank also complies with the applicable corporate governance requirements of the London and Frankfurt stock exchanges and is guided in its activities by international standards and best CG practices, in particular, the Principles on Corporate Governance of the banks issued by Basel Committee on Banking Supervision, as well as OECD Principles on Corporate Governance.

Sberbank develops its CG system based on the following principles:

### ***1). Unconditional enforcement of shareholders' rights and interests***

The principle of priority of the rights and interests of shareholders means that they can make the most important decisions on the Bank's activities, including as follows: approval of the Charter in a new edition (amendments and additions to the Charter) and other documents regulating the activities of the Supervisory Board and executive bodies; distribution of profits; election of members of the Supervisory Board; appointment of the Bank's auditing organization.

Actual enforcement of rights and exercise of the interests of shareholders is facilitated, in particular, by the disclosure of detailed information on the Bank's activities and corporate procedures, an unambiguous dividend policy, transparency of the ownership structure and significant corporate actions as well as objective and balanced decision-making procedures.

### ***2). Delineation of powers and responsibilities related to business management between management bodies and executive bodies of the Bank***

Clear delineation of powers between management bodies and executive bodies as well as effective interaction between them is one of the key factors in organizing proper CG practices.

The competence of the General Meeting of Shareholders, the Supervisory Board, the Executive Board, the CEO, and the Chairman of the Executive Board is determined by Russian law and is established in the Charter approved by the General Meeting of Shareholders.

### ***3). Efficient operation of the Supervisory Board***

Efficiency of the Supervisory Board is determined by a combination of many factors, including a clear understanding of business needs and the role of the Supervisory Board in the development of the Bank; sufficient level of powers of the Supervisory Board; high individual and collective competence of its members; a system of succession and a meaningful annual performance assessment of the Supervisory Board; high-quality fulfillment of tasks by the Chairman of the Supervisory Board; developed structure and organized work of the committees of the Supervisory Board; professional support from the Corporate Secretary; and access to modern technological and organizational tools needed to support the activities of the Supervisory Board.

#### ***4). Accountability of executive bodies***

The main principles of the executive bodies are professionalism, prudence, integrity, diligence and timeliness.

In their activities executive bodies of the Bank are accountable to the General Meeting of Shareholders and to the Supervisory Board, which in turn controls the implementation of the policy of succession of executive bodies at the Bank through the HR and Remuneration Committee.

Members of the Supervisory Board interact with members of the Executive Board and officers of the Bank to obtain information that is complete and reliable to the maximum extent and is required for informed decision-making.

#### ***5). Efficiency and independence of the Corporate Secretary***

The Bank provides for the position of a Corporate Secretary designed to facilitate the implementation of the Bank's Corporate Governance Policy. The Bank takes necessary measures and provides conditions to ensure independence and efficient exercise of relevant functions by the Corporate Secretary.

#### ***6). Transparent and balanced remuneration system of members of the Supervisory Board and executive bodies***

Motivation and remuneration system for members of the Supervisory Board and executive bodies, that is in effect at the Bank, is transparent and is aimed at supporting the implementation of the strategic goals of the Bank, ensuring financial stability, and in the case of remuneration of executive bodies, also at the correspondence of the amount of individual remuneration to the results, the nature and scale of the Bank's operations, outcomes of its activities, level and combination of accepted risks.

#### ***7). High standards of corporate culture and business ethics***

Corporate governance is aimed at establishing a healthy and efficient corporate culture that fosters trust as well as value creation for Bank's shareholders and customers. Members of the Bank's Supervisory Board and executive bodies demonstrate high standards of business conduct and ethics by personal example, contribute to strengthening the Bank's business reputation, strictly comply with Russian law and internal documents of the Bank on managing conflicts of interest, countering corruption, use of confidential and insider information, and require the same responsible behavior from the employees of the Bank.

#### ***8). Balanced and efficient internal control and risk management systems; external auditor***

Sberbank pays special attention to building an effective system of internal control and risk management fully complying with all regulatory requirements and striving to comply with the best international generally accepted

concepts and practices in this field. The Supervisory Board is responsible for defining the principles and approaches to the organization of internal control and risk management systems at the Bank, as well as ensuring control over the efficiency of these systems and taking action in case of their deficiencies. The executive bodies shall ensure that the effective internal control and risk management systems are created and maintained, they shall be also responsible for implementing resolutions of the Supervisory Board related to these areas.

***9). Development of proper corporate governance mechanisms in controlled companies***

The Bank aims at balanced development of its controlled companies, taking into account, on the one hand, the benefits from the use of centralized resources, group-wide policies and management approaches of the Bank, and, on the other, the specifics of the activities, regulation and business environment of each company in question.

***10). Information transparency***

The Bank aims to increase the transparency of its activities by actively conducting an open dialogue with its shareholders, investors and other stakeholders. The Bank's information transparency is based on the principles of completeness, reliability, availability, balance of disclosed information, as well as regularity and timeliness of its disclosure. The access to public information, except for the cases set forth by Russian law, is provided by the Bank free of charge and does not require any additional efforts (receiving passwords, registration or other technical restrictions).

***11). Compliance with international standards and principles of sustainable development and ESG***

Operations of the Bank's Group have a significant impact on various areas of the society, both in the Russian Federation and abroad. Sberbank strives to maximize positive effects from its activities and minimize the negative impact, aiming to achieve better risk management and more sustainable development with the implementation of ESG principles.

### **III. The Bank's Approaches to Implementing Corporate Governance Principles**

#### **3.1. Unconditional enforcement of shareholders' rights and interests**

As owners of Sberbank's shares, shareholders have a set of rights in relation to the Bank, the enforcement and protection of which is ensured by the Supervisory Board and executive bodies.

The system and practice of CG at the Bank guarantees equal conditions for all shareholders who own shares of the same category (type), regardless of the number of shares they own.

In accordance with Russian law, all shareholders are guaranteed equal rights to participate in the General Meeting of Shareholders and in distribution of the Bank's profits, as well as the right to receive information about the Bank and its activities, which, in particular, is facilitated by the active work of the Committee for Minority Shareholder Relations<sup>3</sup>, as well as by ongoing dialogue with shareholders and investors, supported by the Corporate Secretary, the Center for Interaction with Investors, and the executive bodies of the Bank.

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<sup>3</sup>*Committee for Minority Shareholder Relations is an advisory board aimed at enforcing and protecting the rights and legitimate interests of Sberbank minority shareholders.*

Being a public company, the Bank creates conditions for the free circulation of its shares, providing shareholders and investors with the opportunity to buy and sell them at market prices, as well as reliable and effective ways to record their rights to shares.

In order to increase the level of the shareholders' perception of the Bank's CG practices, as well as to create conditions for the shareholders to comfortably exercise their rights, the Bank pays special attention to the development of digital channels for interaction. The Bank pays constant attention to enhancing investment literacy of shareholders and maintaining effective feedback.

### **3.1.1. Structure of the charter capital**

The structure of the Bank's charter capital is characterized by the presence of a controlling shareholder: in 2020, the Central Bank of the Russian Federation (hereinafter referred to as the Bank of Russia), which was the founder of the Bank as a joint stock company, sold its stake in Sberbank to the Russian Federation (52.32 percent of the total number of outstanding voting shares of the Bank)<sup>4</sup>. The Ministry of Finance of the Russian Federation exercises shareholder rights in Sberbank on behalf of the Government of the Russian Federation, acting in the interests of the Russian Federation as shareholder<sup>5</sup>. The change of ownership was aimed at eliminating the conflict of interests of the Bank of Russia arising from combining the role of a controlling shareholder, a regulator and a supervisory authority.

The shareholder agreement<sup>6</sup> concluded by the parties to this transaction guarantees adherence to the Development Strategy of the Bank, protection of the rights of its minority shareholders and ensuring the legitimate interests of participants in corporate relations, as well as continuity of corporate governance and key priorities.

The implementation of the functions of a shareholder by the Ministry of Finance is carried out with due regard to the Shareholder Agreement, as well as the requirements of the Budget Code of the Russian Federation in terms of ensuring the safety of the invested funds of the National Wealth Fund and a stable level of income from their placement in the long term<sup>7</sup>.

The charter capital of Sberbank is divided into two categories of shares: ordinary and preferred that have the same nominal value. Ordinary shares in the amount not exceeding 25 percent of the total number of outstanding ordinary shares may circulate outside of the Russian Federation in the form of issued depositary receipts.

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<sup>4</sup>The transfer of rights was governed by the Federal Law No. 50-FZ dated March 18, 2020 "On the Acquisition by the Government of the Russian Federation of the Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and Invalidation of Certain Provisions of Legislative Acts of the Russian Federation" (hereinafter - the Law No. 50-FZ).

<sup>5</sup>The procedure for exercising shareholder rights is given in the Resolution of the Government of the Russian Federation dated August 31, 2020 No. 1326 "On exercising shareholder rights in Sberbank of Russia on behalf of the Government of the Russian Federation" (hereinafter - the Resolution).

<sup>6</sup>The goals and conditions of the Shareholder Agreement concluded for a period of three years on April 30, 2020 by the Bank of Russia and the Ministry of Finance as a representative of the shareholder are determined by the Article 1 of the Law No. 50-FZ.

<sup>7</sup>According to the clause 2 of the Resolution, the rights of the shareholder are exercised with due regard to the clause 2 of the Article 96-11 of the Budget Code of the Russian Federation.

Each ordinary share of the Bank confers equal rights on its holder. Shareholders who own ordinary shares of the Bank may vote on all agenda items of the General Meeting of Shareholders. The principle “one share - one vote - equal dividends” applies to holders of ordinary shares of the Bank.

Preferred shares confer on their holders the same rights. Shareholders who own preferred shares have no voting rights at the General Meeting of Shareholders, except for the cases stipulated by Russian law, but according to the Charter they are entitled to the right to receive dividends of not less than 15 per cent of the nominal value of such shares.

### **3.1.2. General Meeting of Shareholders**

The Bank provides the opportunity for shareholders to comfortably exercise their right to participate in the General Meeting of Shareholders (hereinafter also the Meeting, Meeting of Shareholders or AGM) by creating the most favorable conditions.

The procedure for preparing and holding the Meeting is defined in the [Regulation on the General Meeting of Shareholders](#) which stipulates that each shareholder shall have an opportunity to exercise the right to vote in a convenient way.

The Bank prepares the Meetings with due responsibility, using all the necessary resources. The Corporate Secretary considers inquiries and queries related to the enforcement of rights of shareholders in due time.

The Bank's practice of using information and communication technologies gives shareholders an opportunity to participate in the Meetings remotely, discuss agenda items and make decisions on issues put to voting, without being present at the venue, which enables them to vote from anywhere in the world in a convenient time.

The Bank makes every reasonable effort to ensure that voting shares belonging to controlled legal entities (quasi-treasury shares) do not participate in voting at the Meeting of Shareholders of the Bank, and that holding of quasi-treasury shares does not exceed the amount objectively necessary for solving specific management tasks.

Any shareholder shall have the right to express his or her opinion in person or by proxy and ask questions from the Chairman of the meeting, members and candidate members to the Supervisory Board, the representative of the audit organization, the head of the Internal Audit Service and members of executive bodies.

The Bank's practice includes organizing online broadcasts of the General Meeting of Shareholders in Russian and English. The Bank ensures public information disclosure on the decisions taken by the Meeting according to the procedure established in Russian law, no later than a day after the day of the Meeting.

Between the Meetings, shareholders can receive answers to their questions through the Corporate Secretary, as well as through various communication channels, including electronic services for shareholders provided by the Bank.



### **3.1.3. Protection of Shareholder Rights / Fiduciary Responsibility**

The extent of Bank's responsibility to shareholders is not dependent on the package of shares owned by them. The Bank's main priority is the provision of interests of shareholders who have entrusted the Bank with decision-making on their capital management; at the same time every effort is made to consider interests of other stakeholders in elaborating the Development Strategy and in current activities of the Bank.

The property rights of shareholders are protected and guarantees of freedom to dispose of their shares are ensured through:

- selection by the Bank of a Registrar with a high reputation, having well-functioning and reliable technologies that will ensure proper accounting of ownership of the Bank's shares and the exercise of shareholders' rights;
- various actions aimed at updating information about shareholders.

The controlling shareholder of the Bank, in accordance with Russian law, nominates its candidates to the Supervisory Board, while the interests of minority shareholders are primarily represented by independent (from the influence of executive bodies, individual groups of shareholders or other interested parties, as well as not related to the Bank, the state, a competitor or a significant counterparty of the Bank) members of the Supervisory Board, the number of which must not be less than 1/3 of the total members of the Supervisory Board.

The Bank takes measures to reduce the risks of violation of the rights and interests of various groups of shareholders and other stakeholders. Members of the Supervisory Board and executive bodies are aware of their responsibility before them and consider conscientious fulfillment of their responsibilities for managing the Bank to be their main objective, ensuring, among other things, the maintenance and sustainable long-term growth of the value of its shares, and protection of the ability of shareholders to exercise their legal rights.

Abuse of rights attached to the shares of the Bank, as is constituted by an action or an omission of action intended to cause damage to other shareholders, the Bank or its customers, including the right to obtain information (documents) of confidential and/or competitive nature is regarded by the Bank as unacceptable.

For its part, the Bank expects from shareholders full compliance with Russian law, timely and high-quality feedback, an active position on corporate governance, as well as exercise of their rights in a responsible and reasonable manner on the basis of an informed decision, including in terms of exercising the right to vote at the AGM.

If approached by its shareholders, the Bank commits to review their applications immediately and make a report on the results of such review.

### **3.1.4. Dividend Policy**

In order to establish a transparent and comprehensible mechanism of decision-making on the distribution of profits, determination of the size, procedure and time of dividend payment, the Supervisory Board shall review and approve the [Dividend Policy](#) for the mid term (at least three years). The Regulation on Dividend Policy is aimed at

increasing the investment attractiveness of the Bank and shall be developed taking into account its Development Strategy based on the balance of interests of the Bank and its shareholders and with due regard to their rights. The Supervisory Board provides the Meeting with recommendations on the amount of dividends to be paid. The resolution on the size and payment of dividends is approved by the shareholders at the Meeting.

### **3.1.5. Significant Corporate Actions**

The following is considered as significant corporate actions: major transactions and transactions with interest; charter capital increase or reduction; listing and delisting of shares; reorganization of the bank; acquisition of 30 or more percent of voting shares by a single shareholder, and other actions that may result in a considerable change in shareholder rights and/or violation of their interests.

In determining the order of acquisition of the shares of the Bank by the entities, controlled by the Bank, it will seek to ensure equal opportunity for all of its shareholders who own shares of the relevant category (type) to sell to such controlled entities their shares in proportion to their stake on equal terms, except for cases of acquisition of shares of the Bank by controlled legal entities in the process of trading activities in the stock market.

No action capable of causing forced delisting of the Bank's securities is acceptable for the Bank

While making decisions with respect to significant corporate actions, the Supervisory Board and the Executive Board may, realizing the extent of their responsibility:

- form dedicated task forces at the level of the Executive Board of the Bank;
- establish a provisional Committee of the Supervisory Board;
- include an issue on a significant corporate action into the agenda of the AGM, if the decision of such an issue is attributed by Russian law to its competence.

Any information concerning significant corporate actions is disclosed in good time in accordance with Russian law and according to the [Information Policy](#) of the Bank.

### **3.2. Delineation of powers and responsibilities related to business management between management bodies and executive bodies of the Bank**

Ensuring appropriate CG practices is impossible without a clear delineation of powers between management bodies and executive bodies, as well as without an effective interaction between them.

The Supervisory Board, Executive Board and CEO, Chairman of the Executive Board are provided with sufficient independence in their activities.

The Supervisory Board does not interfere (without strong justification) in the daily activities of executive bodies, which, in turn, regularly inform it on all important aspects of the Bank's activities in terms of the implementation of the Development Strategy, planning and business development, as well as on the state of risk management and

internal control systems. To achieve an optimal level of interaction, the CEO, Chairman of the Executive Board forms part of the Supervisory Board of the Bank.

The main elements of CG System include:

- General Meeting of Shareholders is the highest management body through which shareholders exercise their right to manage the Bank and the distribution of profits;
- Supervisory Board (including its committees) is a collective governance body that conducts general management of the Bank, defines core principles and approaches to organizing the CG system at the Bank (including risk management and internal control systems), gives recommendations to executive bodies and monitors their activities;
- Executive Board is a collegial executive body, the main responsibilities of which are as follows: to ensure implementation of resolutions of the AGM and the Supervisory Board; to implement provisions of the Development Strategy; to implement the policy aimed at increasing the Bank's competitiveness and profitability and ensuring its sustainable financial and economic position; to protect shareholders' rights; and to ensure that their investments are effective;
- CEO, Chairman of the Executive Board is the sole executive body that manages current activities of the Bank, ensures the implementation of resolutions of the AGM and the Supervisory Board, heads the Executive Board and organizes its work.

### **3.3. Efficient operation of the Supervisory Board**

For sustainable and systematic development of the Bank, members of the Supervisory Board shall reasonably, in good faith and with due care and discretion perform their duties in the interests of the bank, bearing personal responsibility for the decisions taken. In its activities, the Supervisory Board identifies, evaluates and takes into account the expectations and interests of shareholders and investors, customers, partners of the Bank and other stakeholders.

High performance of the Supervisory Board is based on the following:

- understanding of business needs and the role of the Supervisory Board in the Bank's development;
- a diverse and balanced composition of the Supervisory Board, due to attracting professionals of the highest level;
- a system of remuneration for members of the Supervisory Board corresponding to the scale of Bank's activities;
- a system of succession that guarantees the preservation of the best practices of the Supervisory Board;
- annually conducting a thorough, formalized performance evaluation of the Supervisory Board, allowing to identifying opportunities for improvement;
- effective communications both within the Supervisory Board, and with shareholders and executives of the Bank, and other key stakeholders;

- provision of modern technological and organizational conditions for members of the Supervisory Board.

The Supervisory Board determines the principles of formation and approaches to the organization of the CG System by adopting internal regulatory documents governing individual elements of such system, providing recommendations to the AGM on amendments to the Charter (approval of the Charter in a new edition) and to internal documents regulating the activities of management bodies and executive bodies, as well as by monitoring the efficiency of the CG System both as a whole and of its every element separately.

The Supervisory Board is accountable to the Meeting, and information on its activities is disclosed on the [Bank's website](#) and as a part of the annual report.

### **3.3.1. Main Functions of the Supervisory Board**

The Supervisory Board shall:

- determine strategic objectives and areas of the Bank's development, including by participating in the process of implementing and developing the ESG management system and integrating ESG principles into the Development Strategy;
- make decisions on the election and early termination of powers of the CEO, Chairman of the Executive Board and members of the Executive Board of the Bank;
- exercise control over activities carried out by executive bodies of the Bank including compliance of such activities with the Development Strategy approved by the Supervisory Board;
- determine approaches to the CG System, monitor its efficiency and ensure its development;
- determine key principles and approaches to organization of risk management and internal control systems;
- formulate the Remuneration Policy of the Bank for members of the Supervisory Board, executive bodies, and other key executives;
- contribute to the development of talent management system and ensure the formation of the talent pool for Bank's executive bodies;
- exercise control over the proper organization and efficient functioning of the information disclosure system.

The competence of the Supervisory Board is reflected in the Bank's [Charter](#).

### **3.3.2. Membership, structure and formation of the Supervisory Board**

Members of the Supervisory Board are elected only if they have an impeccable business and personal reputation. At the same time, great importance lies on the principle of diversification, meaning the balance between the members of the Supervisory Board in terms of their skills, work experience and knowledge (collective qualifications) in aggregate sufficient for efficient management and control over the Bank's operations, corresponding to the scale and nature of its activities, the profile of accepted risks, as well as by the ratio of executive, non-executive and independent directors and the distribution of functions between them.

Executive directors are members of the Supervisory Board who have employment relations with the Bank; they link the Supervisory Board with the management.

Non-executive directors are members of the Supervisory Board, who do not have employment relations with the Bank and, at the same time, are not independent directors.

Independent directors who participate in the Supervisory Board (people who have sufficient professionalism, experience and independence to form their own position and who are able to pass objective and conscientious judgments, independent of the influence of executive bodies, individual groups of shareholders or other stakeholders, as well as those who not related to the Bank, the major shareholder, significant counterparty or competitor of the Bank) enable the Supervisory Board to objectively consider the Bank's activities, critically assess the implementation of the Development Strategy by executive bodies, and independently evaluate the efficiency of risk management and internal control systems. The Bank's interaction with its shareholders in order to clarify the need to nominate/elect independent directors to the Supervisory Board is one of the ways to achieve that.

By a resolution of the Supervisory Board, a Senior Independent Director is appointed from among independent directors by a majority vote of the total number of members of the Supervisory Board. The main objectives of the Senior Independent Director are as follows: interaction with the Chairman of the Supervisory Board on different issues; organization of performance evaluation of the Supervisory Board; coordination of interaction between independent directors and development of a consolidated opinion of independent directors on the issue under consideration, when necessary; interaction with the Bank's shareholders.

The Supervisory Board is elected annually by shareholders during the General Shareholders' Meeting. The election procedure allows shareholders to receive information about candidates to the Supervisory Board sufficient to form an idea on their professional and personal qualities.

Shareholders who own two or more percent of voting shares may nominate candidates to the Supervisory Board not later than 75 days after the termination of the calendar year.

The HR and Remuneration Committee of the Supervisory Board carries out assessment of the candidates and provides its recommendations to the Supervisory Board.

At the same time, the Supervisory Board may also include candidates satisfying the Bank's Supervisory Board HR needs in the list of candidates to the Supervisory Board.

The Supervisory Board evaluates the independent status of candidates, and in exceptional cases is entitled to recognize a candidate (director) as independent, despite the presence of any formal criteria for non-independence, if the presence of such criteria does not affect the director's ability to express independent and unbiased judgments. Nevertheless, the Supervisory Board avoids a formal approach and takes into account not only the signs of the candidate's non-independence, but also other circumstances that can affect the independence of a director, including business reputation and personal qualities, critical thinking abilities, and capacities to make objective and impartial judgments.

In case of circumstances, due to which the director ceases to be independent, such director must duly notify the Supervisory Board and Corporate Secretary immediately. An independent director must refrain from any action that could result in losing his/her status of an independent director.

For efficient implementation of the strategic goals of the Bank, candidates nominated as independent directors must be ready to be reelected as members of the Supervisory Board for a period of at least 3 years.

In order to enable shareholders to make informed decisions while electing members of the Supervisory Board, the Supervisory Board forms recommendations for voting based on the report by the HR and Remuneration Committee and ensures that this information is communicated to the Bank's shareholders by including it into the materials provided to people who have the right to participate in the AGM. The Committee for Minority Shareholder Relations, aimed at protecting the rights and legitimate interests of shareholders through comprehensive assistance in the exercise of their rights, also carries out efficient communication with shareholders in the period leading up to the AGM.

The Supervisory Board ensures maximum transparency of the procedure for evaluating candidates and preparing recommendations for voting to shareholders.

If the Supervisory Board includes a candidate in the list of candidates to the Supervisory Board and/or provides shareholders with access to AGM agenda items, whereupon the Bank receives information on a candidate's non-compliance with the requirements set by Russian law and/or which prevents him/her from being elected to the Supervisory Board, such information shall be delivered to participants of the AGM before voting.

### **3.3.3. Chairman of the Supervisory Board**

The Supervisory Board is headed by the Chairman who is elected from among the members of the Supervisory Board by a majority vote of the total number of directors at the first meeting of the Supervisory Board after the its election by the Meeting.

The Chairman directs the activities of the Supervisory Board, controls the execution of resolutions of the Supervisory Board, organizes the development of its work plan and the formation of the agenda of the Supervisory Board's meetings, preparation of informed decisions on the agenda items, free discussion of these items, productive atmosphere of the meetings, as well as proper and timely minutes of the meetings of the Supervisory Board.

### **3.3.4. Meetings of the Supervisory Board**

The right balance between harmony of interests and variety of opinions creates appropriate conditions enabling each member of the Supervisory Board to take an active position with regard to issues considered by the Supervisory Board.

Meetings of the Supervisory Board can be held in person or in absentia and are convened by its Chairman at his own initiative, at the request of the head of the Bank's Internal Audit Service, the audit organization of the Bank, the member of the Supervisory Board, the Executive Board, or the CEO, Chairman of the Executive Board of the Bank.

The most significant issues of the Bank's activities are considered at meetings held in person, since this form provides an opportunity for a more meaningful and complete discussion of issues, organizing a constructive dialogue and developing balanced and optimal solutions for the Bank. The list of issues that shall be considered at a meeting of the Supervisory Board held in person is defined in the Regulation on the Supervisory Board approved by the AGM.

A meeting of the Supervisory Board is considered competent (constitutes a quorum) if at least half of the elected directors are present.

Each member of the Supervisory Board has one vote. In case of a tie, the casting vote is that of the Chairman of the Supervisory Board. Decisions on the agenda items of the Supervisory Board shall be taken by the majority vote of the directors, except in cases provided by Russian law and the Bank's Charter when a greater number of votes is required to make a decision.

In its work, the Supervisory Board uses modern IT solutions that ensure efficient and secure communications between members of the Supervisory Board and the Bank.

### **3.3.5. Assessment of Supervisory Board performance**

To determine opportunities for enhancing performance of the Supervisory Board and its Committees and to identify potential improvement and development areas, the Supervisory Board carries out an annual performance assessment with respect to itself, its Committees, the Chairman and the members of the Supervisory Board. Periodically (once every three years) the Supervisory Board enlists the services of an external independent consultant to perform such an assessment.

The assessment is organized by the HR and Remuneration Committee with the participation of the Corporate Secretary. Assessment of the Chairman's performance is carried out by independent directors coordinated by the Senior Independent Director with due regard to opinions of all members of the Supervisory Board.

At an in-person meeting of the Supervisory Board, the Chairman of the Supervisory Board and the Chairman of the HR and Remuneration Committee organize a discussion of the performance assessment results in order to develop recommendations to improve the efficiency of both the Supervisory Board as a whole and its committees, as well as individual members. Aggregated results of the assessment are disclosed in the annual report of the Bank.

Among other things, the methodology of self-assessment or independent external assessment of the performance of the Supervisory Board provides for identification of relevant long-term and situational competencies necessary to supplement the Supervisory Board with, as well as facilitates the introduction of new members into the Board, whose skills, experience and expertise meet the challenges of a changing external environment and the life cycle of the Bank.

Additionally, the results of such assessments and surveys help to determine whether the membership of the Supervisory Board provides for a variety of experience, skills, expertise and views that make up the collective

qualifications of the Supervisory Board, and are taken into account when compiling the target “competency matrix”<sup>8</sup> of the Supervisory Board used in the process for nomination and formation of the Supervisory Board.

### **3.3.6. Succession planning for the Supervisory Board**

Based on the information in the target “competency matrix”, the HR and Remuneration Committee of the Supervisory Board determines the list of required competencies of the members of the Supervisory Board necessary for the implementation of its efficient activities (hereinafter - the Succession Plan), and organizes the search, assessment and selection of candidates, while adhering to the principle of diversity (including gender, age, national, professional) in order to ensure a qualified discussion of agenda items that promotes different points of view.

Important personal qualities taken into account while selecting candidates for the Supervisory Board are as follows: professional skepticism, critical thinking, the ability to ask substantive questions and insist on getting complete and comprehensive answers, and the ability to perceive constructive criticism.

To ensure continuity of the Supervisory Board’s activities, maintain a balanced membership of the Board, its due competence and the succession, the Bank deems it expedient to carry out consecutive rotation of the Supervisory Board members, but not more than 1/3 of the membership concurrently.

If necessary, external experts can be involved in the search for candidates.

The goals and approaches to organizing succession, distribution of roles, duties and areas of responsibility of various participants in the process are formalized in the [Succession Policy for members of the Supervisory Board](#).

### **3.3.7. Committees of the Supervisory Board**

The Supervisory Board composes committees from among its members; the committees are advisory and consultative bodies created for preliminary consideration of the most important aspects of the Bank's activities falling within competence of the Supervisory Board, and making recommendations to the Supervisory Board on such issues in order to enhance the efficiency of performing its functions and to promote professional, prepared, balanced and independent decision-making.

The Committees are subsidiary bodies of the Supervisory Board and are not entitled to act on behalf of the Bank or its Supervisory Board. The Committees are accountable to the Supervisory Board.

The Supervisory Board has established the following permanent committees:

- Audit Committee;
- HR and Remuneration Committee;
- Strategic Planning and Sustainable Development Committees;
- Risk Management Committee;

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<sup>8</sup>A competency matrix is the list of required competencies, such as: basic, specialized and necessary, formulated with due regard to the long-term development goals of the Bank.



- Technology Committee.

If necessary, the Supervisory Board has the right to change the structure and the list of objectives of the committees or create additional committees.

The Audit Committee, the HR and Remuneration Committee and the Risk Management Committee include only independent directors, and if this is not possible for objective reasons, independent directors shall make up the majority of the membership of these committees, while others shall be the members of the Supervisory Board who do not hold any positions in the Bank's executive bodies.

The Strategic Planning and Sustainable Development Committees and the Technology Committee must also include Independent Directors.

The committees are regulated by the [Regulation on the Committees of the Supervisory Board](#).

The heads of the committees regularly submit their reports to the Supervisory Board on the work of their committees, as well as reports on the issues reviewed by the committee upon instructions from the Supervisory Board

### **3.4. Accountability of executive bodies**

The Executive Board of the Bank and the CEO, Chairman of the Executive Board, are accountable to the Supervisory Board and the Meeting of Shareholders.

At least once a year the Executive Board provides to the Supervisory Board a report on the progress of the Bank's Development Strategy and the execution of the resolutions approved by the Supervisory Board and the Meeting of Shareholders, and on a quarterly basis it delivers a report on the Bank's financial and economic performance and the level of risks assumed by the Bank, it also implements Bank's Internal Control Strategy and Policy.

When making decisions, the members of the executive bodies must recognize their responsibility to shareholders, customers, employees and other stakeholders and faithfully perform their duties on managing the Bank.

#### **3.4.1. Election, Term of Office and Termination of Powers of members of the Executive Board**

Board members are appointed and dismissed by resolutions of the Supervisory Board. Candidates to the Executive Board must meet the requirements of Russian law to the holders of such positions (qualifications and personal and business reputation). The term of office of members of the Executive Board is unlimited.

#### **3.4.2. Succession planning for members of the Executive Board**

Insuring continuity of the Executive Board membership is one of the primary tasks of the CG System. The HR and Remuneration Committee of the Supervisory Board, together with the HR department of the Bank, assumes direct responsibility for timely preparation of Succession Plans, the precise definition of HR requirements for managerial positions, development of existing competencies, and searching for the most appropriate candidates, primarily from internal resources. The talent pool is formed for this purpose.

While organizing succession planning, the HR and Remuneration Committee of the Supervisory Board considers the results of the regular performance evaluation of each of the Executive Board members, taking into consideration the performance of the Bank in general.

#### **3.4.3. CEO and Chairman of the Executive Board**

The CEO, Chairman of the Executive Board of the Bank heads the Executive Board and directs the Bank's current activities.

According to the Charter of the Bank, the competence of the Supervisory Board includes election of the CEO, Chairman of the Executive Board and early termination of his/her powers.

The CEO and Chairman of the Executive Board is responsible for organizing the training system and reliability of the Bank's accounting (financial) statements, the timely disclosure of information, and providing its shareholders, the Bank's customers and other interested parties, with information about the Bank's activities.

#### **3.4.4. Interaction between the Supervisory Board and executive bodies**

In order to ensure a more complete immersion in the specifics of the Bank's activities, members of the Supervisory Board may, on their own initiative, arrange for working meetings with members of executive bodies and other key employees of the Bank, and discuss, outside of meetings of the Supervisory Board, any matters concerning current activities and development of the Bank.

Members of the Supervisory Board are aware of their functions in the CG System, as well as the responsibilities of members of executive bodies, in interaction with whom they shall adhere to the resolutions of the Supervisory Board, including in cases when they have a dissenting opinion on any issue, and also refrain from giving personal assignments to executive bodies not supported by a resolution of the Supervisory Board or its committees.

Members of the Supervisory Board interact with executive bodies and officers of the Bank to obtain information that is complete and reliable to the maximum extent and is required for decision-making by the Supervisory Board. To ensure proper discharge of their responsibilities, members of the Supervisory Board have the right:

- to request information on the Bank's activities and those of the controlled companies, and to receive prompt responses to their requests;
- to require additional information;
- to review the Bank's internal documents, statements and other finance documents, as well as auditor opinions and resolutions of the Bank's executive bodies.

### **3.5. Efficiency and independence of the Corporate Secretary**

The Corporate Secretary ensures that management bodies and officers of the Bank follow CG procedures, requirements of Russian law, the Charter, this Code and other internal documents of the Bank that guarantee implementation of rights and legitimate interests of shareholders.

The Corporate Secretary is appointed by a resolution of the Supervisory Board, which the Corporate Secretary is accountable to and controlled by. The Corporate Secretary reports administratively to the CEO, Chairman of the Executive Board. The Corporate Secretary's activities are governed by the [Regulation on the Corporate Secretary](#).

### **3.6. Transparent and balanced remuneration system of the Supervisory Board and executive bodies**

The Bank ensures transparency of the remuneration system for members of the Supervisory Board and executive bodies, while setting the amount of remuneration at a level that allows it to attract, retain and motivate members of the Supervisory Board, executive bodies and key executives who have necessary for the Bank competences and qualifications. In determining its approach to remuneration, the Bank seeks to follow the Principles for Sound Compensation Practices recommended by the Financial Stability Board<sup>9</sup>, including their following key aspects:

- an active role of the Supervisory Board in the formation of the remuneration system of the Bank, based on proper qualifications, and control over its implementation;
- application of special remuneration principles in relation to executives and employees of internal control and risk management units, contributing to the independence of their activities;
- correlation of the variable remuneration of the executive bodies of the Bank and heads of business units with the performance of the Bank or respective unit and personal performance, taking into account the applicable parameters and time characteristics of risk when determining the amount and frequency of variable remuneration;
- transparency of remuneration principles and practices.

#### **3.6.1. Remuneration of Members of the Supervisory Board**

Remuneration of members of the Supervisory Board shall meet market conditions, and shall be established by the Meeting of Shareholders to ensure involvement and active participation in the Bank's activities of highly knowledgeable specialists, and to motivate them to perform their activities in a fair and efficient manner, aiming to realize strategic objectives of the Bank.

The Bank discloses information with regard to remuneration of members of the Supervisory Board paid in accordance with the [Provision on Remunerations and Compensations](#) of Members of the Supervisory Board, approved by the AGM.

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<sup>9</sup>The Financial Stability Board Principles for Sound Compensation Practices (2009).

When determining the amount of remuneration for members of the Supervisory Board, the Bank seeks to take into account the individual responsibilities of each member of the Supervisory Board (for example, participation in a committee and/or acting as a Chairman of the Supervisory Board, Chairman of the Committee, Senior Independent Director) and additional duties associated with such responsibilities.

Members of the Supervisory Board are remunerated (reimbursed) for targeted expenses arising in the course of fulfilling their duties.

### **3.6.2. Remuneration of members of the executive bodies**

The system of remuneration for members of executive bodies is regulated by the [HR Policy on Remuneration and Qualifying Requirements for Key Employees of Sberbank](#), which provides for correlation of remuneration with the performance of the Bank and the employee's personal contribution to achieving Bank's outcomes by using tools for regular performance assessment with the use of a balanced scorecard.

The structure of the aggregate income of members of executive bodies consists of a fixed and a variable part. The variable remuneration is directly linked to a number of key performance indicators, including individual and team indicators, financial and non-financial indicators; and amounts to at least 40 per cent of the target amount of the aggregate income.

A part of the variable remuneration for members of the executive bodies is a long-term remuneration based on the value of shares of the Bank; it involves cash payments. The long-term incentive program was introduced in order to stimulate reasonable risk taking in the long term and provides for a deferral (installment) and subsequent adjustment of the variable part of remuneration based on the timing of obtaining financial results of such activities, including the possibility of reducing or canceling the variable part of the remuneration in case of obtaining overall negative financial results at the Bank or in the relevant line of business. A deferral in the payment of long-term remuneration to members of executive bodies allows adjusting its amount in the event of risks taking above the established threshold of materiality, subject to the degree of responsibility and the amount of loss from said risk.

The HR and Remuneration Committee of the Supervisory Board is responsible for constant updating of the remuneration system for members of executive bodies, approves the set of personal targets, and monitors success of their implementation by analyzing personal contribution made by each executive, his/her potential for development, and the extent of team synergy.

Performance assessment of members of executive bodies is carried out on an annual basis with interim quarterly results on individual, collective and corporate goals, determined by cascading the key priorities of the Bank, which ensures the correlation between performance assessment, remuneration and the achievement of the Bank's strategic objectives.

### **3.6.3. Information disclosure on remuneration of members of the Supervisory Board and executive bodies**

The Bank takes a responsible approach with regard to information disclosure on remuneration of members of the Supervisory Board and executive bodies.

Information on the system of remuneration for members of the Supervisory Board of the Bank, on all forms of short-term or long-term monetary incentives for members of executive bodies, including on approaches to determining the correlation of the amount of their remuneration with the Bank's performance and their personal contribution to achieving such outcomes, as well as on the deferral of the term of payment of the variable part of the remuneration and its subsequent adjustment depending on the results achieved by the Bank is published in the annual report.

The annual report also contains information on the remuneration paid to members of the Supervisory Board and executive bodies, indicating the amount of all types of remuneration, including salaries, bonuses, commissions, amounts separately paid for participation in the relevant body, and other types of remuneration (including in the form shares) that were paid by the Bank during the reporting year.

Information on the amount of remuneration paid and (or) reimbursement of expenses to members of the Supervisory Board and executive bodies is also contained in the issuer's quarterly report made in accordance with the requirements of the Bank of Russia and disclosed on the [Bank's website](#).

### **3.6.4. Liability Insurance of Bank's directors<sup>10</sup> and executives<sup>11</sup>**

Taking into account that Bank management is a complex process bearing the risk associated with possible negative consequences of decisions made by members of the management bodies and executives of the Bank, their liability shall be insured.

Liability Insurance of Bank's directors and executives is made at the expense of the Bank.

The decision to conclude a Liability Insurance contract is made by the AGM upon the recommendation of the Supervisory Board. Such contract does not cover any deliberate actions that caused damage to the Bank or to third parties.

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<sup>10</sup>Director means any individual who has ever been, is or will become in the future a member of the Supervisory Board, the Board of Directors or any other similar management body, regardless of its name.

<sup>11</sup>Executive means any individual who has ever held, holds, or will hold in the future a position of the sole executive body (CEO, chairman of the Executive Board, general director, etc.), a member of a collegial executive body (Executive Board, directorate, etc.), of a Senior Vice-President, Vice-President, Chief Accountant, head of a service, director of a department, head of an independent structural unit and their deputies, or any individual who has performed, is performing or will perform any functions/duties similar (substantially similar) to functions/responsibilities of any of the above positions regardless of its name.

### **3.7. High standards of corporate culture and business ethics**

The standards of conduct adopted by the Bank, which guarantee honest and fair treatment of employees, customers, partners, as well as compliance with legislation and internal regulatory documents, are stipulated in the [Code of Corporate Ethics](#) of Sberbank.

The Bank is confident that strict adherence to the ethical principles stipulated by the Bank's internal documents by all employees of the Bank is a good basis for corporate culture oriented at ethical principles; it contributes to the Bank's business reputation and developing cooperation with the customers and partners. At the same time, executives of any level, including members of executive bodies and the Supervisory Board, must, by personal example, demonstrate adherence to high principles of professional and business ethics, create and maintain a corporate culture in which employees know and understand their responsibilities and freely communicate their doubts and issues.

At least once a year, the Supervisory Board reviews the state and dynamics of the corporate culture in terms of its compliance with the Development Strategy and business objectives, principles of business ethics and sustainable development.

The Bank's corporate governance is closely related to its corporate culture. It is important that each employee should know what is happening at the Bank and understand how he/she can impact its further development. In particular, this is achieved thanks to the fact that each employee who is also a shareholder has a legal right to participate in the AGM in order to make key corporate decisions for the Bank. Executive bodies regard an employee who is also a shareholder as a like-minded person interested in the implementation of the strategic goals by the Bank and in increasing its shareholder value.

#### **3.7.1. Anti-Corruption and Conflict of Interest Management Policy**

Members of the Supervisory Board and executive bodies must:

- ensure maximum observance of the Bank's interests. None of them has the right to pursue personal interests while making decisions and use the opportunities provided by the Bank for their own benefit;
- comply with the requirements of the [Anti-Corruption Policy](#) and the [Conflict of Interest Management Policy](#) developed by the Bank, applicable anti-corruption legislation in all countries of business activities and/or public circulation of the Bank's securities; by personal example, show the Bank's employees adherence to these requirements, which apply to all employees of the Bank, regardless of their position; and also regularly undergo training in these areas;
- be intolerant of corruption in any form and manifestation (zero tolerance principle);
- by acting reasonably and in good faith in the interests of the Bank and its shareholders, promptly inform on a conflict of interest, including a potential one, and on existing or proposed transactions known to them, in

which they can be recognized as interested parties; resolve conflicts of interest that have arisen; refrain from actions that will or may lead to a conflict of interest; refrain from voting on issues in relation to which they have a conflict of interest, as well as from other actions that may negatively affect the interests of the Bank or its shareholders. If a member of the Bank's Supervisory Board or executive body is in doubt whether any particular situation creates a conflict of interest or not, he/she should consult with the Corporate Secretary or the Compliance Division of the Bank and take measures to resolve the conflict of interest;

- promptly notify the Supervisory Board by sending a notification to its Chairman through the Corporate Secretary both on the intention to take a position in the management bodies of other organizations, in state and municipal bodies, or the Bank of Russia, and on the fact of such an appointment.

Members of the Bank's executive bodies shall obtain approval from the Bank's Supervisory Board for holding positions in other organizations, and also disclose to the Bank information on their commercial activities even if they are not related to the Bank's operations.

The key to managing the conflict of interest in relation to transactions with interest (hereinafter referred to as related-party transactions) is the procedure for giving consent for their execution/subsequent approval.

Pursuant to requirements of Russian law and the best corporate governance practices, related-party transactions are considered in the following order:

- a preliminary analysis of a possible conflict of interests is performed concerning the members of the Supervisory Board and executive bodies involved in decision-making;
- information on the related-party transaction is communicated to members of the Supervisory Board and the Executive Board, and if all members of the Supervisory Board have interest in such transaction, this information is communicated to shareholders of the Bank according to the procedure of informing the latter on the Meeting of Shareholders;
- interested persons are not allowed to take part in the process of discussing the terms of the transaction and making a decision on it.

All information on related-party transactions is disclosed in a timely manner in accordance with Russian law (in the form of significant facts, as well as in the form of a report on related-party transactions concluded by the Bank in the reporting year, signed by the CEO, Chairman of the Executive Board of the Bank and approved by the Supervisory Board). This report is an integral part of the Bank's annual report approved by the AGM.

### **3.7.2. Confidential and Insider Information Policy**

Members of the Supervisory Board and executive bodies of the Bank shall not disclose or use for personal ends or in the interests of any third parties any confidential Information (a banking secret, a trade secret of the Bank or its partners, persons or entities controlled by the Bank, personal data) and insider information of the Bank and its customers.

Disclosure of information about the Bank, its scope, content and ways of distribution shall comply with the requirements applicable to keeping the banking and/or trade secret or any other confidential information protected by law as well as with the requirements of the Bank's information security.

With regard to insider information, members of the Bank's Supervisory Board and executive bodies must comply with the requirements of the [Policy on Counteracting the Misuse of Insider Information and Market Manipulation](#), which, among other things, stipulates a number of restrictions and limitations on performing personal transactions with the Bank's securities, as well as the norm to communicate the requirement for protecting insider information to the attention of related parties.

### **3.8. Balanced and efficient internal control and risk management systems; external auditor**

The internal control system is an aggregate of internal control bodies and areas and is consistent with the specifics of the Bank's financial and business operations. The Bank's internal control is organized on the basis of a risk-oriented approach, which in practical terms is a mechanism limiting the Bank's risk appetite.

The Supervisory Board is responsible for defining principles and approaches to the internal control and risk management systems of the Bank.

Executive bodies shall ensure that the effective internal control and risk management systems are created and maintained at the Bank, and such bodies shall be responsible for implementing resolutions of the Supervisory Board in these areas.

The internal control and risk management systems are built with the use of the Three Lines of Defense, a model where:

- the first line is the business units responsible for successfully carrying out day-to-day internal control activities, they take ongoing measures to manage the risks associated with their activities. Those measures are a part of everyday activities of business units, therefore they ensure a continuous process of identifying, assessing, and controlling risks;
- the second line composes the business units of the Bank that are in charge of elaborating and implementing the rules and procedures of internal control, determining the risk management standards, guidelines, limits, and restrictions, monitoring the risk levels, preparing reports, verifying compliance of the risk level with risk appetite, advising on, simulating, and aggregating the total risk profile;
- the third line is the internal audit that carries out independent assessment of internal control and risk management systems performance.

In order to check and verify the reliability of accounting (financial) statements compiled both under Russian and foreign standards for financial statements, the Bank employs an independent audit organization.



### **3.8.1. Internal control system participants**

Internal control at the Bank is performed by:

- the Supervisory Board;
- Executive Bodies;
- Chief Accountant (and his/her deputies);
- Heads (and their deputies) of the branches;
- the Internal Audit Service
- the Internal Control Service
- the Controller for Countering Legalization (Laundering) of Proceeds of Crime and Financing of Terrorism;
- the Controller of Professional Securities Market Participant;
- the Authorized Officer for Countering Illegitimate Use of Insider Information;
- the Authorized Officer for Countering Illegitimate Market Manipulation;
- business units and employees who exercise internal controls within the scope of their powers as defined by the Bank's Charter and internal documents.

### **3.8.2. Organization of the risk management process**

The risk management system used by the Bank is based on standards and tools recommended by the Basel Commission on Banking Supervision, and it meets requirements set out in the best international practices.

The main objectives of the Integrated Risk Management system as an integral part of the Bank management process include the introduction of risk management standards, principles, limits and restrictions, monitoring of the level of risk and generation of risk reporting, ensuring that the level of assumed risks conforms to established risk appetite limits, and modeling and formation of a general risk profile. To ensure effective planning and control of assumed risks, the risk management functions are distributed among the Supervisory Board, executive bodies, the head of the Risk Block (Head of the Bank's Risk Management Service), committees of the Executive Board, Risk Block's units, and other business units of the Bank. The distribution of powers in the risk management system meets the requirements and recommendations of the Bank of Russia and international financial institutions.

### **3.8.3. Internal Control Service**

The Bank has the Internal Control Service, the main objective of which is to provide the Bank's Supervisory Board and executive bodies with information on the level of regulatory risk, assessment of the regulatory risk management system, and the areas of operation that are most vulnerable to regulatory risk.

The Internal Control Service acts based on the principles of independence, impartiality, objectivity and professional competence, non-involvement in illegal activities, timely submission of information to government authorities and the Bank of Russia, in accordance with Russian law.

#### **3.8.4. Internal Audit Service**

The Internal Audit Service conducts audit of all the areas of the Bank's activities (any unit or any employee of the Bank or the member-organization of the Group), it also controls efficiency of the measures taken by the units and management and executive bodies of the Bank following up the audits with a view to decrease the level of the identified risk.

The opinion of the Internal Audit Service, prepared based on the performance assessment of risk management and internal control, as well as corporate governance practices for the reporting year, is included in the information (materials) to be submitted to people entitled to participate in the AGM.

The Internal Audit Service is accountable to the Supervisory Board, and administratively subordinate to the CEO, Chairman of the Executive Board.

The Bank takes all the necessary steps to ensure independence and objectivity of the Internal Audit, creating no-hindrance environment for the Internal Audit to perform its functions in an efficient and effective way.

#### **3.8.5. External Auditor**

An independent audit organization is selected annually through an open bidding, the results of which shall be agreed upon with the Executive Board and reviewed by the Audit Committee of the Supervisory Board, which makes a judgment on the independence of the external auditor. The Supervisory Board makes a recommendation on the audit organization to be approved by the Meeting of Shareholders.

#### **3.8.6. Internal and External Risk-Related Communication Policy**

According to the recommendations of the Basel Committee on Banking Supervision, the Bank pays special attention to the internal communication and analysis of risks inherent to its activities. The Supervisory Board, executive bodies and units responsible for risk management shall be promptly informed with regard to such risks. The Bank is developing a culture of responsible attitude to risk and decision-making associated with uncertainty.

Taking into account the role played by the Bank in the global financial infrastructure, the goal is to build a system that will allow the Supervisory Board and executive bodies of the Bank to make prompt and clear decisions on risk management, and to be able to exercise immediate control over their implementation.

#### **3.9. Development of proper corporate governance mechanisms in controlled companies**

The Supervisory Board of the Bank has access to complete and up-to-date information about the structure of the Bank's Group, is aware of the role of companies significant for the Bank and the specifics of their corporate governance systems. The Supervisory Board is promptly notified of any specific risks and challenges associated with the controlled companies that may have an impact on the Bank's activities.

The Bank seeks to oversee the controlled companies, with due regard to the nature, scale and risks of their activities and to introduce modern principles of corporate governance into the practice of the controlled companies, taking into account their individual characteristics, with a view to contribute to their sustainable operation and achievement of business goals in the long term.

The Bank considers it to be a good practice to elect independent directors with the necessary qualifications as well as non-executive directors from among the key executives of the Bank with the necessary knowledge and skills in the field of corporate governance to Supervisory Boards (Boards of Directors) of the controlled companies, that seek most developed corporate governance mechanisms.

The Bank has created an automated system for monitoring the corporate governance of controlled companies, through which the practices applied in such companies are assessed in terms of their compliance with the goals, performance standards and policies of the Bank, and, in particular, with the standards of risk management, internal control and compliance procedures.

### **3.10. Information transparency**

The transparency of Bank's activities is defined in the [Information Policy](#), which stipulates, among other things:

- principles of information disclosure, including timely parallel disclosure of information in Russian and English and provision of equal access to information for all stakeholders;
- the scale of information that must be disclosed and information that is disclosed in a voluntary manner, the procedure and channels for its disclosure;
- restrictions on unauthorized distribution, disclosure and use of information on the Bank's activities;
- methods of external and internal communications used by the Bank to provide a reliable view of its activities.

As a credit institution, the Bank fulfills its obligations to disclose the information on its activities in accordance with the requirements of the Bank of Russia.

The Bank, as an issuer of Russian securities that are included in the quote lists of securities eligible for organized trading on Moscow Exchange, fulfills the obligations set forth in the Listing Rules of Moscow Exchange as well as the obligations to disclose the information on its activities in accordance with the law.

Due to the fact that derivative securities on the Bank's ordinary shares (depository receipts) are traded outside of the Russian Federation, the Bank shall also fulfill the information disclosure requirements of:

- London stock exchange (LSE);
- Frankfurt stock exchange (FSE);
- Rules 12g3-2b of the Securities Exchange Act of 1934 (the USA).

The Bank considers that openness of the CG System, the possibility of a constructive dialogue with members of the Supervisory Board and the Executive Board of the Bank, as well as an active approach to communication with the market are the key factors in improving the image and building trust.

### 3.10.1. General Information disclosure principles

The Bank promotes information openness in relation to all target audiences with regard to the disclosure of information on current activities, financial results, development strategy, ecosystem, the impact of the economic situation and market environment on operating results and plans and other factors that can affect the value of the Bank securities.

The Bank protects personal data and sensitive information constituting a state, banking, business or trade secret and complies with its own information security requirements.

The Bank discloses the information based on the principles of regularity, consistency, promptness, availability, equality, reliability, integrity and comparability.

Implementation of the regulations of the Information Policy is controlled by the Supervisory Board.

Executive bodies ensure that information about any essential aspects of the Bank's activities is disclosed in good time and accurately in the form of:

- an annual report, including a report prepared in accordance with the requirements of the Standards of the Global Reporting Initiative for Sustainable Development (GRI) and the best international practices, as well as a report on compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia ("comply with or communicate") and development of corporate governance practices;
- information on emission of securities and other documents subject to disclosure by public companies;
- annual and interim consolidated and separate accounting (financial) statements;
- information that the Bank discloses as a professional securities market participant;
- information that the Bank discloses as a credit institution (information on interest rates, accepted risks, assignments to mortgage agents, etc.)

Channels for information disclosure/ communication tools are selected so as to ensure free access of stakeholders to disclosed information. These are:

- web-sites of the Bank: [www.sberbank.com](http://www.sberbank.com) and [www.sberbank.ru](http://www.sberbank.ru) (information is disclosed simultaneously in Russian and in English);
- corporate materials (reports, presentations, official press releases, etc.);
- meetings, dedicated conferences, press conferences, assemblies, forums (of regional, all-Russian and international scale);
- modern remote information exchange tools (incl. video-conference and web-broadcasting);
- printed periodicals (newspapers, magazines, etc.);
- Bank's official presence in social media.

The official websites of Sberbank Group members are also considered to be additional information disclosure channels / communication tools.

### **3.10.2. Communication with investors and shareholders**

In order to enhance its investment attractiveness, the Bank has developed a system for continuous direct dialogue with shareholders, investors, analysts and rating agencies through provision of additional information, clarifications and official comments on the current situation at the Bank; as well as the information required to perform a financial analysis of the Bank's activities to make informed investment decisions.

The main communication channels are as follows: the [Bank's website](#); the AGM; mobile apps designed for shareholders; target events held for shareholders, investors, analysts (group and individual one-on-one meetings - both with the personal presence of the Bank's representatives and through remote channels; international investment conferences; road shows; audio-conference calls); replies to email inquiries; and a hotline for shareholders.

In order to timely inform stakeholders, the dates of the main regular publications on the Bank's activities are disclosed on the [Bank's website](#).

To maintain efficient communications with minority shareholders (individuals), the Bank has a Committee for Minority Shareholder Relations (hereinafter - the Committee), the Chairman of which makes a report on the work of the Committee before the Supervisory Board and shareholders at the Meeting at least once a year. The Committee considers proposals of shareholders on improving the Bank's CG System and makes recommendations to the executive bodies and the Supervisory Board on the enforcement and protection of rights and legitimate interests of the Bank's minority shareholders.

Members of the Supervisory Board and executive bodies take an active part in interaction with investors and shareholders, consider their proposals, recommendations, take into account the main concerns and the feedback received, including in the process of decision-making.

### **3.11. Compliance with international standards and principles of sustainable development and ESG**

Taking into account the importance of the sustainable development agenda, as well as recognizing the need to join efforts with other companies and organizations in solving the global issues, the Bank has joined the global initiatives of the United Nations (UN) and applies their requirements in its operations.

The Bank considers the use of international standards in ESG as a necessary condition for ensuring the compliance of the Bank's activities with the best international practices and achieving the goals and objectives of its development.

The ESG-principles are built into the architecture of the CG System.

To strengthen the focus of the Supervisory Board on the ESG agenda and sustainable development, the Bank has started to elect a curator on these issues from members of the Supervisory Board. His/her duties include interaction on behalf of the Supervisory Board with the Bank's management and external stakeholders on the ESG agenda items.

The Bank has established an ESG Committee, which includes members of the Executive Board and key officers of the Bank. The powers of the ESG Committee include consideration and coordination of issues related to ESG initiatives (preparation of a development strategy, internal processes, a portfolio of specialized projects, etc.).

The goals and objectives, as well as the basic principles of the Bank's activities in terms of ESG are formulated in the ESG Policy of the Bank.

#### **IV. Final Provisions**

Assuming obligations to comply with the additional provisions and principles prescribed by this Code (other than legal requirements of the Russian Federation), the Bank is aware that there may arise some circumstances preventing the Bank from complying with some of the regulations or principles due to the reasons beyond its control. In such cases the Bank will actively take all adequate measures to amend the situation or provide well-founded clarifications in regard to the reasons for such non-compliance with the provisions of this Code taking into account the best interests of all its shareholders.