

# **SBERBANK OF RUSSIA**

APPROVED  
by Sberbank's Supervisory Board  
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## **Regulations on Supervisory Board Committees**

Moscow, 2015

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## **1. General**

1.1. These Regulations on Sberbank Supervisory Board Committees (hereinafter, ‘these Regulations’, and ‘Sberbank’) govern the work of Sberbank’s Supervisory Board committees (hereinafter, ‘Committees’ or a ‘Committee’) and define their establishment, functionalities and terms of reference.

1.2. Committees are the advisory and consultative bodies of Sberbank’s Supervisory Board (hereinafter, the ‘Board’). Their purpose is to conduct preliminary reviews of the most important matters referred to the Board and to develop recommendations for the Board to make decisions on these matters. Committees are not the managing bodies of Sberbank and must not act on behalf of Sberbank or the Board.

1.3. Committee decisions are recommendatory. Committees report to the Board and facilitate the performance of statutory responsibilities by all Board members and co-operation with Sberbank’s managing bodies.

1.4. Committees operate within the terms of reference defined by the Board under these Regulations and are governed by Russian law, regulations, Sberbank’s Charter and any other documents that regulate the proceedings of the Board. The Board may refer additional matters to a Committee.

1.5. The matters referred to Committees by these Regulations may be taken before the Board after they have been preliminarily reviewed by these Committees.

1.6. In order to form opinions on any matters requiring special expertise, Committees may engage independent consultants (experts). The procedure of their engagement and remuneration will be decided by the Board.

1.7. The Board has established the following standing Committees:

- The Audit Committee
- The HR and Remuneration Committee
- The Strategic Planning Committee
- The Risk Management Committee.

If and where necessary, the Board may establish other committees, whether standing or ad hoc.

## **2. Committee establishment procedures**

2.1. The number of members in a Committee will be determined by the Board but must not be less than 3 (three) persons who must be Board members.

2.2. Members of the Audit Committee, the HR and Remuneration Committee and the Risk Management Committee must be independent Board members (‘Independent Directors’) only or, if this requirement cannot be reasonably met, the majority of Committee members must be independent directors, whereas other Committee members may be Board members who are not members of any of Sberbank’s executive bodies (Non-Executive Directors).

The Strategic Planning Committee will also include independent directors.

2.3. Elections to Committees must be in regard of prospective members' professional background, knowledge and expertise in the respective Committee's terms of competence; other specific skills required for Committee members to perform their duties; time and other constraints on serving in several Committees.

2.4. No Board member will be elected to more than three Committees.

2.5. The powers of Committee members will terminate simultaneously with the term in office of the Board members. The Board may early divest any one or more Committee members of their powers (with due regard to the minimum Committee membership referred to in clause 2.1. above). Any person elected to any Committee may be re-elected without limitation.

### **3. Chairmen of Committees**

3.1. The first meeting of the Board after an annual general meeting that elected the Board will establish Committees from its members and will nominate Chairmen. The key objectives of the Chairman will be as follows: managing the proceedings of their Committee, ensuring that the Committee operates efficiently and objectively and facilitating a collective opinion from Committee members on the matters under review. Chairmen will be personally responsible for the performance of their Committees.

3.2. Only Independent Directors may serve as the Chairmen of the Audit Committee and the Risk Management Committee. Both the HR and Remuneration Committee and the Strategic Planning Committee must be chaired by Independent or non-Executive Directors. The Chairman of the Board must not chair any Committee. The Chairman of any Committee may engage in several Committees, but must not be the Chairman of any other Committee.

3.3. Chairmen will organize the proceedings of their Committees, convene and preside over Committee meetings, ensure that the records are kept and submit to the Board any decisions taken by their Committees.

3.4. On behalf of their Committees, Chairmen may send queries on any matters within their terms of reference to the members of Sberbank executive bodies who will provide the requested information within reasonable dates.

3.5. Chairmen will annually submit progress reports to the Board.

### **4. Committee Meetings**

4.1. Committee Meetings will be held in accordance with the schedules approved by the meetings of the relevant Committees.

Committee schedules will be developed by the Chairmen of the relevant Committees on the basis of the Board schedules and in accordance with the terms of reference of each Committee described in these Regulations.

Before approval by Committees, Committee schedules must be discussed with the representative of the specialist departments of Sberbank, through the corporate secretary.

A meeting may also be initiated by the Chairman or the Committee or the Board or by the members of that Committee or by Chairman/Deputy Chairman of the Board.

4.2. Meetings require actual presence of members (joint presence or by phone/video conference).

The Audit Committee must hold meetings with actual presence within the terms of its reference at least four times every year.

The HR and Remuneration Committee, the Strategic Planning Committee and the Risk Management Committee must hold meetings with actual presence within the terms of their reference at least two or three times every year.

Some decisions may be taken by an absentee ballot (by polling Committee members in writing).

4.3. If needed, a Committee may invite Board members (who are not members of that Committee) or Auditing Commission members or representatives of Sberbank's auditor or members of Sberbank's executive bodies or any officers or heads of Sberbank units to attend its meeting with actual presence. Such invited individuals will have no voting rights for the purposes of decision-making by the Committee.

Any discussions will be confidential. Committee members and any individuals invited to a meeting will be personally liable for any disclosure under applicable laws.

4.4. Decisions to convene the next meeting as well as decisions on the date, time and venue, agenda and the list of persons to be invited will be made by the Chairman.

4.5. Notification of Committee members (and, if necessary, invitees) about any forthcoming meetings as well as the delivery of the relevant materials to Committee members in accordance with Board meeting procedures will be the responsibility of the Secretary of the Board (hereafter, the Committee Secretary).

4.6. A meeting is valid (has the quorum) if it is attended by at least one half of its members. Written opinions from the absent Committee members, signed in person and presented before the opening of the meeting, will be counted for the purposes of the quorum and voting.

Committee members must not have vested interests or conflicts of interests in any matters under discussion. Any such interest must be disclosed at the meeting and brought to the attention of the Board. Committee members who have vested interests or conflicts of interests in any matter must not participate in reviewing or making decisions on such a matter.

4.7. Committee decisions will be made by the majority of the Committee members taking part in the meeting. Committee decisions will be made as recommendations and will be recorded in the minutes. Dissenting opinions of Committee members must be entered in the minutes.

Furthermore, any recommendations made by Committees must be included in the minutes of the Board meeting which discussed the matters on which the relevant Committee made its recommendations.

4.8. The minutes of Committee meetings will be kept by the Committee Secretary and signed by the Chairman. Board members may access any materials and minutes of any Committee meetings.

4.9. Organizational, technical and documentary support for Committee meetings and the keeping of the minutes will be the responsibility of the Committee Secretary.

4.10. Such details as the number of Committee meetings, the formats of such meetings and the Committee members in attendance must be disclosed in Sberbank's annual report posted to an official Internet website indicated in Sberbank's Charter.

## **5. Rights and Obligations of Committee Members**

5.1. Committee members may:

- Submit any matters within the terms of reference of their Committee for review by that Committee
- Express dissenting opinions on any matters reviewed by the Committee
- Suggest that the Chairman invite individuals who are not members of the Committee; return materials for revision, stating the reasons why they must be further revised; develop requests to Sberbank's executive bodies for any information required by the Committee
- Take part in meetings by teleconference or send written opinions with draft decisions, when unable to participate in person.
- Give clarifications or comments on any matters under review.

5.2. Committee members must:

- Be fully engaged in Committee's proceedings
- Substantiate their opinions at the time of decision making
- Immediately inform the Committee of any vested interests or conflicts of interests at the time of decision making
- Refrain from any action that may call in question the competence of the Committee or the professional merits of its members
- Not disclose any confidential information on Sberbank's activity that may come to their knowledge.

## **6. Purpose, Objectives and Terms of Reference of the Audit Committee**

6.1. The main purpose of this Committee is to ensure that the Board is able to efficiently control Sberbank's financial and business activities.

6.2. The key objectives of this Committee are as follows: enhance the efficiency of internal control and risk management systems, ensure that the Board is able to govern and monitor the operation of these systems, ensure the accuracy of financial statements and monitor internal and external audit processes.

6.3. The terms of reference of this Committee include:

### **6.3.1. Accounting / financial reporting:**

- a) Ensuring that Sberbank's accounting financial reports are complete, accurate and reliable, including a preliminary review of Sberbank's annual financial statements to be presented for approval to the annual general meeting
- b) Analysing the key aspects of the accounting policy used by Sberbank in compiling its accounts / financial reports
- c) Engaging in reviewing the key aspects of accounting / financial reports

### **6.3.2. Risk management, internal control and corporate governance:**

- a) a) Monitoring the reliability and efficiency of the risk management and internal control system, including:
  - Evaluating whether or not the controls in place are adequate to ensure the compilation and submittal of accounting / financial reports; the compliance with Russian law, regulatory acts and Sberbank internal regulations; the efficiency of transactions and other deals; and the safety of assets
  - Evaluating the efficiency and adequacy of Sberbank's risk management and internal control procedures given the nature, scale, level and combination of risks to be accepted; developing proposals for improvement
- b) Monitoring the reliability and efficiency of the corporate governance system, including an assessment of corporate governance practices; developing proposals for improvement
- c) Evaluating the compliance with Sberbank's risk management and internal control system
- d) Monitoring the procedures ensuring that Sberbank complies with the applicable law, ethical norms, rules and procedures of Sberbank as well as stock exchange requirements
- e) Evaluating the compliance with the conflict of interest policy

### **6.3.3. Internal and external audit:**

- a) Ensuring that the external and internal audit function is independent and objective
- b) Conducting a preliminary review and agreeing the relevant amendments to Internal Control Regulations, Internal Audit Unit Regulations, annual auditing plans of the Internal Control Unit as well as performance and audit reports
- c) Reviewing the appointment / dismissal of the Head of Internal Audit and the size of his compensation, evaluating the performance of the Head of Internal Audit
- d) Reviewing the existing limitations on the authority or budget that may have a negative effect on the internal audit function
- e) Monitoring the efficiency of the Internal Audit Unit
- f) Evaluating Sberbank's auditor for independence, objectivity and the absence of any conflict of interest, including assessing Sberbank's potential auditors; developing recommendations for the Board for the election of an auditor by Sberbank's Annual General Meeting; developing recommendations on a draft contract with the auditor and for the re-election of the auditor
- g) Supervising external audit, evaluating the quality of audits and auditor opinions, including the following: conducting a preliminary review of the auditor's opinion and presenting the results of such a review as information / materials for the attention of individuals entitled to participate in Sberbank's Annual General Meeting
- h) Ensuring more efficient liaison between Internal Audit Unit and Sberbank's auditor
- i) Developing recommendations for the expeditious elimination of defects in the internal control system and of any breaches of Russian law, Sberbank internal regulations as well as any other defects identified by the regulator, other competent authorities, external auditor and Internal Audit Unit
- j) Evaluating how Sberbank's executive bodies comply with the strategies and procedures approved by the Board, on the basis of Internal Audit Unit reports
- k) Monitoring the compliance with the guidelines governing the rendering and the combination of auditing and non-auditing services by the auditor

### **6.3.4. Combating acts in bad faith by Sberbank employees and third parties:**

- a) Monitoring the efficiency of the alarm system signaling potential acts in bad faith by Sberbank employees (including improper use of insider or confidential information) and third parties as well as other defaults at Sberbank

- b) Monitoring the implementation of any actions approved by Sberbank's executive bodies in response to reported potential acts in bad faith by employees as well as other defaults
- c) Monitoring the progress of special investigations into potential fraud and the use of insider or confidential information in bad faith

Furthermore, the Audit Committee:

- Reviews the opinion of Sberbank's Audit Commission on Sberbank's financial and business activity and other information and documents received from the Audit Commission and unrelated to the annual audit of Sberbank's financial and business activity
- Reviews any situations where Sberbank's management has assumed high risks
- Develops recommendations to amend Sberbank's Internal Auditing Commission regulations
- Works with the Internal Audit Commission and the organizations providing audit services to Sberbank and with Sberbank's internal audit unit; developing joint recommendations on the key issues of Sberbank's financial and business activity

The Board may decide to refer other issues to this Committee.

## **7. Purpose, Objectives and Terms of Reference of the HR and Remuneration Committee**

7.1. The main purpose of this Committee is to facilitate the engagement of the best professionals in managing Sberbank and to provide incentives for their good performance.

7.2. The main objective of this Committee is to reinforce the composition and enhance the efficiency of the Board and develop proposals to establish an efficient system of remuneration for Board members, Sberbank's executives and other staff members<sup>1</sup>.

7.3. The terms of reference of this Committee will include the following:

### **7.3.1. Succession planning and the establishment of a professional Board, executive bodies and other staff members:**

- a) a) Evaluating the composition of the Board from the point of view of professional expertise, experience, independence and engagement of its members in Board's work; identifying priorities to reinforce the composition of the Board
- b) Defining the criteria for candidate selection to Sberbank's Board and executive bodies
- c) Conducting an assessment of professional qualification and independence of nominees to the Board; developing voting recommendations on elections to the Board and bringing them to the attention of shareholders
- d) Developing recommendations on the duties of Board members and Chairman of the Board
- e) Defining a self-assessment methodology and a recommendation on the selection of an independent consultant to assess the performance of the Board and its Committees
- f) Annually self-assessing or assessing the performance of the Board and its Committees externally and assessing individual contributions of each member to the Board and its Committees, developing recommendations for the Board to improve the proceedings of

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<sup>1</sup> The criteria for identifying a list of other staff members for which the HR and Remuneration Committee will develop an efficient remuneration system, will be set forth in an internal Sberbank regulation approved by the Board.



- the Board and its Committees, including the identification of priorities in reinforcing the composition of the Board
- g) Developing a list of actions to inaugurate newly elected Board members and monitoring their implementation
  - h) Developing a programme to train and enhance the qualification of Board members with a view to the needs of each Board member, and monitoring its implementation
  - i) Assessing Sberbank's current and prospective requirements for the professional qualification of executives and other staff members, planning the appointments of such individuals, with a view to the continuity principle
  - j) Conducting a preliminary review of candidates for executive positions, other staff members and candidates for the corporate secretary and developing recommendations for the Board on such candidates
  - k) Conducting an ongoing assessment of performance of the members of Sberbank's executive bodies

### **7.3.2. Development of an efficient remuneration system for Board members, executives and other staff members:**

- a) Developing and periodically reviewing a Sberbank policy for the remuneration of Board members, executives and other staff members; monitoring its implementation and compliance with the operating Russian law with regard to the policies of credit institutions on the remuneration of Board members, executives and other staff members
- b) Developing the criteria and the procedure for identifying the remuneration for Board members and executives, developing the parameters for a long-term remuneration executive programme
- c) Assessing and developing recommendations for the Board on each component of remuneration for executives and other staff members as well as the ratios between such components
- d) Conducting a preliminary evaluation of annual performance of executive bodies and other staff members in accordance with remuneration policy criteria, as well as developing proposals for the Board on the adjusted size of remuneration as part of a programme for long-term executive remuneration
- e) Developing proposals to establish the material terms of executive contracts, including early termination (including all and any material obligations of Sberbank and the terms on which they will be made available)
- f) Developing proposals to select an independent consultant on the remuneration for executives and other staff members
- g) Developing recommendations for the Board on the size of remuneration and the principles of bonus payments to the corporate secretary of Sberbank, and a preliminary assessment of corporate secretary's annual performance and developing recommendations on additional remuneration for the corporate secretary based on annual performance
- h) Monitoring information disclosures on the policy and practices of remuneration and on the shareholdings of Board members, executives and other staff members in the annual report and on Sberbank's website.

The Board may decide to refer other issues to this Committee.

## **8. Purpose, Objectives and Terms of Reference of the Strategic Planning Committee**

8.1. The main purpose of this Committee is to conduct a thorough study of the matters to be reviewed by the Board and related to the strategic management of Sberbank's activities and to make informed and efficient decisions to ensure efficiency in the long term.

8.2. The objective of this Committee is to develop and present recommendations / opinions to the Board on strategic management, on the matters in the remit of the Board or reviewed by the Board in order to monitor the activities of executive bodies.

8.3. The terms of reference of this Committee are as follows:

- a) Establishing, together with Sberbank's executive authorities, strategic objectives for Sberbank; monitoring the compliance with Sberbank Strategy; developing recommendations for the Board to adjust the Strategy
- b) Developing priorities for Sberbank's business
- c) Arranging for the management of crises arising in the course of Sberbank's financial and business activities
- d) Developing recommendations on the dividend policy
- e) Assessing the efficiency of Sberbank's business in the long term
- f) Conducting a preliminary review and developing recommendations on Sberbank's participation in the entities which are (or will become) significant for Sberbank (including direct or indirect acquisition or disposal of shares in the authorised capitals of these entities; encumbrances of shares)
- g) Assessing voluntary and mandatory offers to buy Sberbank shares under the Federal Law on Joint Stock Companies
- h) Reviewing a financial model and a business value assessment model for Sberbank and its business segments
- i) Reviewing such matters as re-organisation and liquidation of Sberbank and other significant entities controlled by Sberbank
- j) Reviewing amendments to the chart flow of Sberbank and other significant entities controlled by Sberbank
- k) Reviewing the reorganisation of business processes at Sberbank and other significant entities controlled by Sberbank.

The Board may decide to refer other issues to this Committee.

## **9. Purpose, Objectives and Terms of Reference of the Risk Management Committee**

9.1. The main purpose of this Committee is to conduct a comprehensive study of the matters reviewed by the Supervisory Board and related to the strategy of Sberbank risk management as well as other matters in the remit of the Supervisory Board and to make informed decisions on such matters in order to ensure that Sberbank's activities are sustainable in a long-term perspective.

9.2. The main objective of this Committee is to develop and present recommendations / opinions to the Supervisory Board on Sberbank risk management matters in the remit of or reviewed by the Supervisory Board in the course of control over executive bodies' activities.

9.3. The terms of reference of this Committee are as follows:

- a) Conducting a preliminary study of the risk and capital management strategy, including capital adequacy ratio and liquidity for risk coverage; a procedure for applying banking

- methodologies for risk management and quantitative assessment models; developing proposals for improvements
- b) Assessing Sberbank's remuneration policy applicable to the members of the Supervisory Board, executive bodies and other key managers for compliance with Sberbank's risk and capital management strategy
  - c) Controlling that the information on risks accepted by Sberbank as it appears in Sberbank reports intended for approval by Sberbank's AGM is complete, accurate and reliable
  - d) Working with other Supervisory Board Committees on risk management at Sberbank

The Board may decide to refer other issues to this Committee.