

**PUBLIC JOINT-STOCK COMPANY  
SBERBANK OF RUSSIA**

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AGREED ON by  
the Committee of the trade union  
of PUBLIC JOINT-STOCK COMPANY  
Sberbank of Russia  
Resolution dated \_\_\_\_ No. \_\_\_\_

APPROVED by  
Supervisory Board  
of PUBLIC JOINT-STOCK COMPANY  
Sberbank of Russia  
Minutes dated \_\_\_\_ No. \_\_\_\_

**17 November 2015**

**No. \_\_\_\_**

**REMUNERATION POLICY  
of PUBLIC JOINT-STOCK COMPANY  
Sberbank of Russia**

Moscow  
2015

### Details of internal regulations

<b>Name, number of internal regulations</b>	Remuneration Policy of Public Joint-Stock Company Sberbank of Russia No. _____																		
<b>Unit that developed internal regulation</b>	Administration for staff incentives and corporate benefits of the Human Resources Department																		
<b>Administrator of internal regulation</b>	Ermakova Oksana Anatolievna, Managing Director, Administration for staff incentives and corporate benefits of the Human Resources Department, 20626 Kiseleva Daria Sergeevna, Function Director, Administration for staff incentives and corporate benefits of the Human Resources Department, 22636																		
<b>Type of internal regulation</b>	Basic/Documents approved by VOU and regulating VOU's operations																		
<b>Function code/process code</b>	5500/-																		
<b>The internal regulation applies to the following units</b>	<input checked="" type="checkbox"/>	Central Office																	
	<input checked="" type="checkbox"/>	Centrally subordinated subdivisions																	
	<input checked="" type="checkbox"/>	Territorial banks																	
	<input checked="" type="checkbox"/>	Branch banks																	
	<input checked="" type="checkbox"/>	Internal structural subdivisions																	
<b>Top-level internal regulation</b>																			
<b>History of internal regulation</b>																			
<b>Version No.</b>	<b>Executive document approving/amending internal regulation</b>																		
1																			
<b>Internal regulations becoming void after issuing this internal regulation</b>																			
Remuneration Policy of OAO Sberbank of Russia No. 2984																			
<b>Information on holding an expert check using the crowdsourcing approach</b>									<b>Information on leanlab technology testing</b>										
-	-								-	-									
<b>Information on TB's powers for amending the set procedure</b>																			
v	No alterations																		
	The following procedures, as set by the following sections, may be subject to change:																		
	Sections	1	2	3	4	5	6	7	8	9	10								
	Appendices																		
	Changeability																		

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## **1. GENERAL CONDITIONS**

1.1. The objective of this Remuneration Policy of the Public Joint-Stock Company Sberbank of Russia (the "Policy") is to determine basic principles and key elements of the employee remuneration system of the Public Joint-Stock Company Sberbank (the "Bank").

1.2. This Policy covers employees of all structural subdivisions and branches of the Bank located in the Russian Federation.

1.3. In addition to the principles and elements of the employee remuneration system defined herein, the Bank shall, in a mandatory manner, provide its employees with guarantees for payment of compensation and benefits under effective Russian law and the Collective Agreement of the Public Joint-Stock company Sberbank of Russia.

1.4. The Bank views the employee remuneration system as one of the basic elements of its HR policies, which focus on supporting achievement of strategic goals and business objectives.

1.5. The Policy defines:

- basic principles of remuneration system;
- basic components of remuneration system;
- principles of managing remuneration system.

## **2. GOALS AND OBJECTIVES OF REMUNERATION SYSTEM**

2.1. The corporate employee remuneration policy focuses on ensuring efficient management of monetary remuneration of employees of the Bank, the objective of which is to attract, retain, motivate, promote career growth and development of employees, whose qualification and performance contribute to the achievement of business goals and strategic objectives of the Bank.

2.2. The Bank seeks to implement a fair and transparent remuneration system, which shall:

- remunerate and reward employees for the work in accordance with their skills, efforts and time spent;
- offer to the employees competitive remuneration at the level comparable to remuneration paid by leading financial sector companies;
- motivate each employee to achieve high performance and improve their work productiveness;
- be clearly understandable by the Bank's employees;
- comply with best international practices and approaches, as well as Russian law requirements;
- ensure that the amount of remuneration of the Bank's employees is in line with the scope and nature of their operations, performance results, level and combination of risks assumed.

### **3. RISKS**

The main risks of non-complying herewith shall include:

- failure to achieve business goals and strategic objectives of the Bank due to the lack of efficient tools for attracting, retaining and motivating staff, which includes inconsistency of the level of employee compensation at the Bank with the market level;
- reduction of the level of achieving key performance indicators due to the lack of necessary mechanisms for KPI planning and control on various levels;
- possible regulatory risks related to non-adherence to Russian law requirements in part of employee compensation;
- possible reputational risks due to inconsistency of the employee remuneration system with more successful and modern market practices;
- reduction in staff engagement level in case the employee remuneration system is inconsistent with internal and external fairness principles.

### **4. BASIC PRINCIPLES OF THE EMPLOYEE REMUNERATION SYSTEM**

4.1. Pursuant to the established objectives, the employee remuneration system must comply with the following five key principles:

**1. *Integration with HR policies.***

The employee remuneration system is one of components of the complex HR management system, which, together with other elements (hiring, training, evaluation, development, career promotion), ensures implementation of the Bank's HR strategy.

**2. *Internal fairness.***

This principle sets an interrelation between the compensation of the the Bank's employees and the job level (relative job weight reflected in its inclusion into a certain job grade depending on the employee's qualification, responsibility for decisions taken and the effect on results of the respective subdivisions, block and the Bank overall).

**3. *External competitiveness.***

This principle sets an interrelation between employee compensation at the Bank with market levels of remuneration for peer jobs in the region.

**4. *Pay for performance***

This principle sets interrelation between employee remuneration and individual performance of the employee, achievement of planned subdivision KPIs and business goals of the Bank.

**5. *Ensuring that the employee remuneration system is in line with the scope and nature of Bank's operations, performance results, level and combination of risks assumed.***

The amount of variable remuneration for Risk-takers depends on the results of their work, including the adverse financial implications (loss/damage for the Bank), which arise due to materialisation of the risks assumed.

4.2. Based on the basic principles of the employee remuneration system, the Bank shall:

- ensure efficient management of employee compensation by creating transparent, standardized, efficiently administered procedures set by internal regulatory documents.
- evaluate jobs in accordance with a single methodology in order to determine their position within the job hierarchy and assign job categories/grades;
- determine an optimal employee compensation structure for each employee category (ratio between salary, bonuses and other monetary remuneration elements);
- set competitive employee compensation levels with regard to market research in breakdown by the Bank's regions of presence;
- set criteria and mechanisms for assessing performance of the Bank's employees, perform regular evaluation of operations of the Bank's subdivisions in general, as well as assessment of individual work performance of employees in order to determine the amount of the fixed and variable parts of their total compensation;
- ensure, in case the Bank achieves significant results in the course of its operations, the possibility to obtain variable remuneration to the amount exceeding the established target level;
- take measures on communicating information about the employee remuneration system to the Bank's staff, as well as performing targeted communication of individual compensation parameters to each employee separately;
- maintain confidentiality of individual remuneration amounts of each employee.

## **5. KEY ELEMENTS OF THE EMPLOYEE REMUNERATION SYSTEM**

5.1. The total compensation of the Bank's employees consists of fixed and variable parts.

5.2. The fixed part of total compensation of the Bank's employees includes official salary, additional payments, as well as compensation and incentive allowances.

5.3. The variable part of total compensation of the Bank's employees may include recurrent (monthly, quarterly) and one-time bonuses; remuneration based on year-end results; long-term incentives (for separate categories of staff determined in accordance with internal regulatory and administrative documents of the Bank).

5.4. The bonus system is used for:

- stimulating and rewarding high individual work performance;
- fostering responsibility for achieving collective and corporate goals, as well as for risks assumed in respective periods;
- creating conduct and work standards based on corporate values and proper corporate culture of the Bank.

5.5. The ratio between the fixed and variable parts of total compensation may vary depending on the following factors:

- job level of the employee (the variable part is usually higher for higher positions; there may be an exception for specialists servicing clients, whose variable part is set higher than that of the back office specialists);
- specifics of functional duties of the employee's job or objectives of its subdivision (monthly bonus is included into the income structure of separate categories of employees responsible for short-term individual indicators, for example, sales plan);
- requirements set by Russian law for certain categories of employees of credit institutions (identified staff).

5.6. In order to evaluate competitiveness of employee compensation levels, the Bank takes into account total compensation of employees, which includes the fixed and variable parts. Social payments (e.g., material aid) are not included in total compensation.

5.7. The target amount of total compensation of the Bank's employees is calculated based on official salaries, compensatory and incentive additional payments and allowances set for employees, as well as on the target bonus amounts.

5.8. The target (statutory) bonus amount is amount of bonuses that the Bank intends to pay to an employee upon achieving an expected level of individual performance, upon achieving target joint performance results and corporate indicators.

5.9. Actual amount of total compensation may differ from the target level. The amount of total compensation of an employee depends on the following set of factors:

- individual performance of the employee;
- the employee's ability to demonstrate competencies in line with the Bank's corporate values;
- operating results of the subdivision, the employee is assigned to;
- operating results of the Bank and/or its structural subdivisions and branches.

5.10. When selecting the target level of total compensation of employees as compared to the labour market, the Bank applies the following principles:

- correspondence with the market geography: salary levels must be in line with the labour market of the region, where the employee's workplace is located;
- labour market segmentation by staff categories: the Bank determines a limited number of job categories, to which it is willing to pay amounts that exceed average labour market indicators; as for other staff categories, the Bank seeks to pay at the median level of the competitive labour market. The Bank takes a decision on the practicability of setting a target level of total compensation at a level higher than the market median based on a number of the following factors: significance of the job for the Bank's business success, market conditions or HR strategy as related to certain categories of jobs;
- giving regard to differences and specifics of labour markets in case of interregional and international staff relocation.

## 6. KEY PARTICIPANTS

6.1. The following key participants ensure management of the Bank's remuneration system:

- The Supervisory Board of the Bank;
- HR and Remuneration Committee of the Bank's Supervisory Board;
- The President, the Chairman of the Board;
- The Board;
- HR-Department;
- Department for Strategy and Development;
- Finance Department.

6.2. Pursuant to requirements /4, 5/ of the Bank of Russia, the Supervisory Board of the Bank in the course of executing its powers set by Federal Laws of the Russian Federation and the Charter of the Bank, shall:

- consider organisational issues, aspects of monitoring and control of remuneration system, assessing its compliance with the Bank's strategy, the nature and scope of operations performed, results of the Bank's activities, the level and combination of risks assumed;
- approve and regularly review internal regulatory, organisational and administrative documents setting the employee remuneration policy, as well as governing the procedure for and conditions of the Long-Term Incentive Plan for certain categories of the Bank's staff;
- consider proposals of subdivisions implementing internal controls and risk management procedures in terms of improvement of the employee compensation system (provided any proposals are made) with regard to the level of risks assumed by the Bank, its subdivisions and employees, as well as changes in the strategy of the Bank, the nature and the scope of its activities;
- analyse independent evaluations of the employee remuneration system, including annual reports of external auditors and information provided by Risk Management Committee.

6.3. HR and Remuneration Committee of the Bank's Supervisory Board, in addition to the aspects relating to its competence in accordance with the Provision "On Committees of Supervisory Board in Public Joint-Stock Company Sberbank of Russia", shall:

- prepare resolutions of the Bank's Supervisory Board as pertaining to organisational issues, monitoring and control of the employee remuneration system, assessing its compliance with the Bank's strategy, the nature and scope of operations performed, results of the Bank's activities, the level and combination of risks assumed;
- develop parameters of long-term incentive plans for the President, Chairman of the Board and Members of the Board of the Bank.

6.4. The President, Chairman of the Board, in addition to the aspects included into their competence in accordance with the Charter of the Bank and other internal regulatory documents of the Bank, shall:

- ensure application of standards prescribed by Russian law in part of compensation of employees of the Bank;



- approve organisational and administrative documents as pertaining to compensation of employees of the Bank;
- approve strategies and development parameters developed by HR-Department together with Finance Department and Strategy and Development Department concerning long-term incentives for Risk-takers (except for the employees, long-term incentive parameters for whom are approved by a resolution of the Bank's Supervisory board).

6.5. The Board of the Bank, in addition to the aspects included into their competence in accordance with the Charter of the Bank and other internal regulatory documents of the Bank, shall:

- approve internal regulatory documents of the Bank governing the employee remuneration system and bonuses (Provision on Employee Compensation, Provision on Bonuses);
- approve criteria for identifying positions of Risk-takers, except for the positions allocated to this category directly by the Bank's Supervisory Board.

6.6. HR-Department shall:

- prepare proposals on implementing forms of pay and incentives for the employees;
- perform analysis, planning and control of expenses on employee compensation;
- develop and implement a job evaluation and grading system;
- benchmark total compensation of the Bank's employees against the labour market, prepare proposals on setting a competitive amount of the target total compensation of the Bank's employees;
- analyse the efficiency of applying the employee compensation forms and incentive plans;
- assess individual performance of employees in order to determine the fixed and variable parts of their total compensation;
- prepare organisational and administrative documents as pertaining to remuneration of employees of the Bank;
- communicate with employees as pertaining to employee remuneration at the Bank;

6.7. Department for Strategy and Development shall:

- develop, together with the Bank's subdivisions, a system of KPIs for the Bank's structural subdivisions and branches;
- develop, implement and administer performance management system, which helps to improve productivity and achieve the Bank's goals and objectives;

6.8. Finance Department shall:

- develop methodology for calculation and control over employee compensation expenses;
- determine target values for the performance management system and evaluate actual achievement of KPIs by the Bank's structural subdivisions and branches;

- determine, together with the Bank's subdivisions, target and threshold values of KPIs depending on the financial results of the Bank's operations, including its structural subdivisions and branches;
- prepares, together with the Bank's subdivisions, regulatory, organisational and administrative documents as pertaining to calculation and determination of total variable remuneration amount.

6.9. In addition to the key participants mentioned in clause 6.1, other subdivisions of the Bank also take part in the process of employee remuneration system management in accordance with the powers set by provisions on the subdivisions (or any other internal regulatory documents, which govern their operations).

## **7. PRINCIPLES OF MANAGING THE EMPLOYEE REMUNERATION SYSTEM**

7.1. This Policy sets key parameters for the Bank's employee remuneration system and serves as an essential internal document for developing and approving the Provision on Employee Compensation at the Bank.

7.2. It is not allowed to take management decisions as pertaining to employee compensation under this Policy of the Bank, if such decisions contradict the Bank's business plan in part of employee compensation expenses.

7.3. The Bank's employee remuneration system is unified for all structural subdivisions and branches of the Bank and prescribes the following:

- unified employee compensation methodology documented in internal regulations;
- centralised management and decision-making as pertaining to remuneration system;
- creating and implementing unified processes and management procedures for employee remuneration.

7.4. Taken that subdivisions and branches of the Bank have a widespread geographic distribution, which implies certain specifics of regional competitive labour markets, particular features of local regulation in terms of employee remuneration, as well as other factors, the employee remuneration system must be flexible to a certain extent, which includes the following:

- possibility to differentiate levels and structures of salary with regard to territorial features;
- taking account of financial, economic and business factors of territorial banks in the course of taking management decisions on employee compensation;
- clearly allocated powers on all levels of management and decision-making as pertaining to employee remuneration;
- mechanisms for quick decision-making in part of remuneration system management.

## **8. INFORMATION DISCLOSURES**

8.1. The Bank ensures regular (at least once per a calendar year), full and reliable disclosure of information on remuneration system applied by the Bank, which includes disclosures of the following information (data):

- on the procedures for and conditions of payments, as well as the total amount of payments (remuneration) to the Bank's employees in accordance with /6/;
- on the total amount and structure of payments (remuneration), which includes deferred variable pay to Risk-takers, except for the employees, whose information is disclosed in the Bank's annual statements in accordance with /6/;
- on the total amount of fixed and variable remuneration of Risk-takers;
- on the total amount of payments upon dismissal of Risk-takers in the reporting year;
- on the total of adjusted remuneration to Risk-takers.

## List of terms and definitions

**Bank** – Public Joint-Stock Company Sberbank of Russia.

**Salary (base salary)** – fixed amount of employee's salary for discharging work (official) duties in the calendar month net of compensational, incentive and social payments.

**Long-term incentive** – part of variable remunerations for separate staff categories, which is made with a deferral, while the amount of the payment may be adjusted in accordance with terms and conditions set by separate internal regulations of the Bank.

**Employee remuneration** – a complex of relationships, in the course of which the Bank sets and makes payments to employees for their work pursuant to laws, other regulations, collective agreements, internal regulations/organisational and administrative documents and employment agreements.

**Job evaluation** – a procedure for complex and holistic analysis of job content for the purpose of determining the job's grade and salary level.

**Centrally subordinated subdivisions** – subdivisions of the Bank, which are independent from the central office of the Bank and offices of territorial banks in terms of organisation, but are subordinate to the central office in terms of functions and administration (management).

**Risk-takers** – employees of the Bank, who are vested with individual powers and/or powers of the collegiate body to make decisions on performing operations and other transactions, the results of which may affect the scope and level of the Bank's risks, including the Bank's compliance with compulsory standards, or trigger any other situations threatening to the interests of depositors and creditors including grounds for taking measures to prevent insolvency (bankruptcy) of the Bank.

**Job grade/category** – an integral attribute of a job, based on job evaluation results, which sets salary level.

**Employee remuneration system** – a complex of relationships, in the course of which payments to employees for their work are set and made pursuant to laws, other regulations, collective agreements, internal regulations/organisational and administrative documents and employment agreements.

**Structural subdivisions of the Public Joint-Stock Company Sberbank of Russia** – subdivisions of the central office, territorial banks, centrally subordinate subdivisions of the Bank.

**Territorial bank** – a territorial bank of the Bank including organisationally subordinate subdivisions, additional offices, operational offices, operational cash desks outside front desk offices.

**Target total compensation** – planned income of an employee calculated on the basis of the employee's base salary and target bonus ratios (including year-end remuneration) and tied to the job grade/category.

**LIST OF SOURCE DOCUMENTS**

1. Charter of Public Joint-Stock Company Sberbank of Russia
2. The Labour Code of the Russian Federation
3. Federal Law No. 86-FZ of 10 July 2002 "On the Central Bank of the Russian Federation (Bank of Russia)"
4. Federal Law No. 395-1 of 2 December 1990 "On banks and banking activities"
5. Guideline of the Bank of Russia No. 154-I of 17 June 2014 "On the procedure for assessing labour payment systems of credit institutions and presenting instructions to credit institutions to correct violations in their labour payment systems"
6. Instruction of the Bank of Russia No. 2013-U of 25 October 2013 "On disclosing operative information to lenders by credit institutions"