

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

AGREED 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. _____

**STAFFING POLICY
on remuneration of and qualification requirements to
Identified Staff of Public Joint-Stock Company Sberbank of Russia**

Moscow
2015

Details of internal regulations

Name, number of internal regulations		Staffing policy on remuneration of and qualification requirements to Identified Staff of Public Joint-Stock Company Sberbank of Russia No. _____																			
Unit that developed internal regulation		Administration for staff incentives and corporate benefits of the Human Resources Department																			
Administrator of internal regulation		D.S. Kiseleva, function director of the Bonus methodology and EDMS department of the Administration for staff incentives and corporate benefits of the Human Resources Department (ext. 22-636)																			
Function code/process code		PR. UP. 10.03																			
The internal regulation applies to the following units		<input checked="" type="checkbox"/>	Central office																		
		<input checked="" type="checkbox"/>	Centrally subordinated subdivisions																		
		<input checked="" type="checkbox"/>	Territorial banks (TB)																		
		<input checked="" type="checkbox"/>	Branch banks																		
		<input type="checkbox"/>	Internal structural subdivisions																		
Top-level internal regulation																					
History of internal regulation																					
Version No.		Executive document approving/amending internal regulation																			
1																					
Internal regulations becoming void after issuing this internal regulation																					
Distribution of internal regulation																					
<input checked="" type="checkbox"/>	Territorial banks (TB)																				
<input checked="" type="checkbox"/>	Subdivisions of the central office																				
<input checked="" type="checkbox"/>	Centrally subordinated subdivisions																				
<input type="checkbox"/>																					
Information on TB's powers for amending the set procedure																					
<input checked="" type="checkbox"/>	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											1	2	3	4	5	6	7	8	9	10
	Changeability																				

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1. GENERAL PROVISIONS

1.1. This Policy was developed subject to the Federal Law No. 86-FZ of 10 July 2002 "On the Central Bank of the Russian Federation (Bank of Russia)", Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity" and the Bank of Russia Instruction No. 154-I of 17 June 2014 "On procedure for assessing the remuneration plan in credit organisations and procedure for submitting an order to a credit organisation to eliminate irregularities in its remuneration plan" and governs the remuneration plan and procedure for applying qualification requirements to employees of the Public Joint-Stock Company Sberbank of Russia (the "Bank") vested with the following (personalised and/or collegial) powers ("**Identified Staff**"):

- to make decisions on effectuating transactions and deals that could affect the level and scope of Bank's risks, including compliance by the Bank with compulsory standards, or other situations that threaten the interests of depositors and creditors including grounds for taking measures to prevent insolvency (bankruptcy) of the Bank ("**Risk-takers**");
- to identify and assess risks (including those associated with specific portfolios, areas of activities and Bank-wide risks), to set risk limits, to determine capital required to cover these risks and to control compliance with said limitations ("**Employees of risk management subdivisions**");
- to perform internal control ("**Employees of internal control subdivisions**").

1.2. This Policy governs the following matters pertaining to Identified Staff:

- the procedure for identifying positions of Risk-takers;
- general remuneration principles;
- qualification requirements;
- structure and key elements of total compensation;
- calculation procedure for key elements of total compensation.

1.3. This Policy corresponds to the principles specified in the Policy for Remuneration of Employees of the Public Joint-Stock Company Sberbank of Russia, and elaborates its provisions for Identified Staff.

1.4. This Policy is developed according to the requirements of the Bank of Russia, recommendations of the Basel Committee on Banking Supervision and world's best practice of lending institutions in building remuneration plans for Risk-takers and for employees performing internal control and risk management.

1.5. This Policy applies to employees of Bank's subdivisions and branches located in the Russian Federation and does not apply to individuals that provide services to (perform work for) the Bank under civil law contracts.

2. GOALS AND OBJECTIVES OF THE REMUNERATION PLAN AND OF QUALIFICATION REQUIREMENTS FOR IDENTIFIED STAFF

2.1. The Bank considers the remuneration plan and qualification requirements for Identified Staff as one of the key elements of the HR management system, which is used to achieve the following goals:

- to sustain accomplishment of Bank's strategic goals;
- to ensure Bank's financial stability;

- to ensure that the remuneration plan for Identified Staff is in line with the scope and nature of Bank's operations, performance results, level and combination of risks assumed.

2.2. The Bank effectively manages remuneration of Risk-takers, which includes possible adjustments in order to stimulate Risk-takers to reasonably assume risks in the long-run and to shape the Bank's risk-culture.

2.3. The remuneration level that the Bank sets for the Identified Staff permits recruiting, retaining and motivating employees that possess expertise and qualifications that the Bank needs.

2.4. At the same time the Bank is guided by strict candidate selection criteria with respect to key positions (members of executive bodies and other key officials of the Bank¹) and ensures their compliance with qualification requirements set for these individuals by the Bank of Russia.

3. LIST OF POSITIONS OF RISK-TAKERS

3.1. To ensure efficient management of the remuneration plan and according to the scope and level of risks assumed the Bank regards the following employees as **Risk-takers**:

- 3.1.1. the President, the Chairman of the Board;
- 3.1.2. First deputies of the Chairman of the Board, Deputies of the Chairman of the Board (Board members);
- 3.1.3. Senior Vice-Presidents (Board members), Senior Vice-Presidents that are directors of blocks (who are not Board members);
- 3.1.4. other employees along with those listed in clauses 3.1.2 – 3.1.3, who are members of the Bank's Board;
- 3.1.5. other risk-takers.

3.2. The Bank's Board approves the criteria for identifying positions that qualify as "**Other risk-takers**".

3.3. Following the criteria for identifying positions that qualify as "Other risk-takers" the President, the Chairman of the Board:

- 3.3.1. approves the list of positions (except for the list of positions of Risk-takers specified in clauses 3.1.1 – 3.1.4 hereof) and specific persons deemed Risk-takers;
- 3.3.2. amends the list of positions (except for the list of positions of Risk-takers specified in clauses 3.1.1 – 3.1.4 hereof) and/or of specific persons deemed Risk-takers during the financial/reporting year upon appointment of employee(s) to a position and/or vesting/divesting of powers included in the criteria for identifying positions that qualify as "Other risk-takers" and when the Board amends these criteria.

3.4. The criteria for identifying positions that qualify as "Other risk-takers" could be revised throughout the financial/reporting year by the decision of the Board due to changes in Bank's legal structure and legislative changes pertaining to the Risk-takers.

¹ "Other key officials" of the Bank include managers that the Bank of Russia may require to possess qualifications and goodwill pursuant to Article 60 of the Federal Law No. 86-FZ of 10 July 2002 "On the Central Bank of the Russian Federation (Bank of Russia)".

4. GENERAL REMUNERATION PRINCIPLES FOR IDENTIFIED STAFF

4.1. The remuneration system for Identified Staff meets the following underlying principles:

- **Transparency**

The Bank ensures complete transparency of all types of payments made to Identified Staff through clear definition of used approaches and principles and by disclosing information about types of payments, perks and benefits provided to Identified Staff as part of the Bank's remuneration and bonus plan.

- **Accountability**

The remuneration plan for Identified Staff is built according to the Bank's development strategy and takes into account actual operating results of the Bank. The amounts of bonus payments depend on individual performance of Identified Staff and on achievement of target performance indicators by the subdivision and by the Bank as a whole.

- **Integration with HR policies**

The remuneration plan for Identified Staff 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.

- **Alignment of remuneration with the scope and nature of Bank's operations, performance results, level and combination of risks assumed**

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

- **External competitiveness**

The Bank provides remuneration, which is sufficient to recruit, retain and motivate Identified Staff possessing necessary professional competencies to efficiently manage the Bank and meeting qualification requirements. When calculating the amount of target total compensation the Bank is guided by market levels of remuneration of comparable positions in the region.

- **Independence of payroll fund in subdivisions performing internal control and risk management from financial results of business units**

The Bank insures independence of remuneration of Employees engaged in internal control and of Employees engaged in risk management from financial results of business units by including quality assessment of their performance of tasks stipulated in the by-laws of corresponding subdivisions in the performance management system used for these types of employees.

5. QUALIFICATION REQUIREMENTS FOR IDENTIFIED STAFF

5.1. When hiring candidates to work in certain positions the Bank considers whether they meet the qualification requirements.

5.2. Qualification requirements set for Identified Staff are described in the terms and conditions of employment contracts entered into with these employees, and in their job descriptions.

5.3. Each Bank employee is acquainted with the job description and position requirements.

5.4. The Bank sets qualification requirements for employees according to the Russian law.

6. STRUCTURE AND KEY ELEMENTS OF TOTAL COMPENSATION OF IDENTIFIED STAFF

6.1. Total compensation of Identified Staff consists of fixed and variable parts.

6.2. The key elements of total compensation of Identified Staff are:

6.2.1. With respect to the fixed part:

- base salary;
- compensation and incentive allowances;

6.2.2. With respect to the variable part of categories of Identified Staff specified in clause 3.1.1 and in clauses 3.1.2 – 3.1.4 (Board members) hereof:

- recurrent and one-time bonuses;
- remuneration based on year-end results;
- remuneration based on year-end results paid at the decision of Supervisory Board;
- long-term incentives;

6.2.3. With respect to the variable part of all other categories of Identified Staff:

- recurrent and one-time bonuses;
- remuneration based on year-end results;
- long-term incentives (for specific categories of employees).

6.3. Long-term incentives is part of Risk-takers' variable remuneration. It is paid on a deferred basis and the amount could be adjusted according to the Regulation "On Long-term Incentive Plan of employees of the Public Joint-Stock Company Sberbank of Russia" ("Plan").

6.4. The target amount of total compensation of Identified Staff is calculated based on salaries, compensatory and incentive additional payments and allowances set for Identified Staff as well as on the target bonus amounts.

6.5. The target (statutory) bonus amount is amount of bonuses that the Bank intends to pay to the Identified Staff upon achieving an expected level of individual performance, upon achieving target joint performance results, corporate indicators and individual goals. Furthermore, the target (statutory) bonus amount is set depending on position held, the level of responsibility and risk level that the Bank is (was) exposed to as a result of employees' activities.

6.6. The correlation between fixed and variable parts of the target total compensation is calculated as follows:

6.6.1. For Risk-takers the target variable part is at least 40 (forty) percent of the target total compensation.

6.6.2. For Employees engaged in internal control and Employees engaged in risk management the target fixed part is at least 50 (fifty) percent of the target total compensation.

7. CALCULATION PROCEDURE FOR KEY ELEMENTS OF TOTAL COMPENSATION OF IDENTIFIED STAFF

7.1. The fixed part of total compensation (salary, additional payments and allowances) of the President, Chairman of the Board and members of the Board is set by the Supervisory Board at the level that permits recruiting candidates to fill these positions that possess necessary professional experience and meet qualification requirements set by the Bank of Russia for these positions. The fixed part of total compensation of other categories of Identified Staff is calculated based on the Bank's remuneration system.

7.2. The variable part of total compensation of Risk-takers, including the amount of long-term incentives, is calculated considering quantitative indicators describing the risks assumed by the Bank and the profitability of operations; the equity necessary to cover the risks assumed; the amount and the cost of borrowed and other raised funds necessary to cover unexpected liquidity shortages.

8. CLOSING PROVISIONS

8.1. This Policy can be revised by the Bank's Supervisory Board as consistent with the changes in the terms and conditions of the Bank's activities, including the changes in the Bank's strategy, nature and scope of transactions conducted, performance results, the level and combination of risks assumed.

List of terms and definitions

Bank – Public Joint-Stock Company Sberbank of Russia.

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

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

List of reference documents

1. Articles of Association 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. Directive of the Bank of Russia No. 3223-U of 1 April 2014 "On the requirements for the chief officers of risk management function, internal control function and internal audit function"