

Additional explanatory information on specific items of the agenda for AGM 2019

For Item 4. “Appointment of an auditing organization”

The proposal to increase the remuneration for AO PricewaterhouseCoopers Audit for conducting audits of the Bank in 2019 and the 1st quarter of 2020 is related to the following aspects:

- The increased volume of procurement of auditing services due to the inclusion of an additional intermediary RAS audit for the 1st quarter of 2020.
- The increased volume of auditing procedures due to the introduction of new rules for accounting and reporting under RAS with regard to the application of IFRS 9.

It's important to note that companies of PricewaterhouseCoopers Group are also engaged to provide consulting services to companies of Sberbank Group if they do not act as their auditor. In 2018 this applied to Sberbank Europe AG, Denizbank A.S. and a number of companies of the Group.

PricewaterhouseCoopers Group provides consulting services directly to Sberbank due to the Bank's implementation of major strategic projects that demand consultants with the necessary competences. Often these competencies are only possessed by global companies due to the experience they have garnered in Russia and abroad, and also due to the resources needed to carry out such projects.

Assessment of independence before participation in a competition for the provision of consulting services is subject to internal analysis and approval of the auditor. When selecting a provider of consulting services, the Bank also evaluates the bidders with respect to independence.

For Item 7. “Approval of the new version of the Charter”

- With regard to moving the competence of approving the annual accounting (financial) reports of the Bank

The annual accounting (financial) reports, which are proposed to be approved by the Supervisory Board instead of the Annual General Meeting of Shareholders, are created by Sberbank in accordance with the Bank of Russia's RAS requirements. At the same time, approval of Sberbank Group's annual report, which contains the results of the Bank's activity and the activity of its subsidiaries for the reporting period in accordance with IFRS, continues to be the competence of the Annual General Meeting of Shareholders. Sberbank Group's net profit according to IFRS is used to determine dividends.

Although the new version of the Charter removes the formal need for the Annual General Meeting of Shareholders to simultaneously approve both types of reports, which use different standards and have different perimeters, it does not deprive shareholders of the right to make a decision on the approval of Sberbank Group's financial reports for the reporting period. In addition, the Supervisory Board's capacity to approve the annual (financial) reports is directly stipulated by Federal Law No. 208-FZ “On Joint-Stock Companies”, and is not a violation of the shareholders' rights.

- With regard to removing information about the Bank's Audit Commission

In accordance with Federal Law No. 208-FZ “On Joint-Stock Companies”, a company’s economic activity can be checked by an Audit Commission or an auditor that the Annual General Meeting of Shareholders approves. The auditor’s report is part of the annual report of the company and subject to approval by the Annual General Meeting of Shareholders.

The principles of corporate governance created by the Basel Committee on Banking Supervision, and the Corporate Governance Code of the Bank of Russia, which is recommended for use by Russian companies, do not contain any recommendations on the mandatory creation of an Audit Commission.

The amendments to Federal Law No. 208-FZ “On Joint-Stock Companies” which came into force on 19 July 2018 give joint-stock companies the option of not creating an Audit Commission, but also introduce the mandatory requirement of creating an internal audit unit to assess the reliability and effectiveness of risk management and internal control.

At Sberbank, internal audit has existed in accordance with the Three Lines of Defence Model for many years now, and the Internal Audit Service is an independent structural subdivision accountable to the Bank’s Supervisory Board. In connection with the fact that the Audit Commission does not possess any decision-making powers, the decision to not form this body and instead strengthen the Internal Audit Service is aimed at optimising the structure of corporate governance at the Bank and does not infringe on the rights of shareholders.