

Item 1. Approval of the Annual Report for 2019

DRAFT RESOLUTION OF THE MEETING: APPROVE THE ANNUAL REPORT OF SBERBANK FOR 2019.

Explanatory information on the item:

In accordance with Federal Law 208-FZ: “On Joint Stock Companies” dated December 26, 1995 and under the Bank’s Charter the Bank is required to include the matter of approving the annual report in the agenda of the Annual General Meeting of Shareholders.

Legal documents governing the preparation of the annual report (hereinafter the Report):

- 1) Federal Law 39-FZ: “On the securities market” dated April 22, 1996;
- 2) Federal Law 208-FZ: “On Joint-Stock Companies” dated December 26, 1995;
- 3) Regulation of the Bank of Russia 660-P “On the General Meetings of Shareholders”, dated November 16, 2018;
- 4) Regulation of the Bank of Russia 454-P: “On Disclosing Information by the Issuers of Issue-Grade Securities” dated December 30, 2014;

5) Letter of the Bank of Russia IN-06-52/8 “On Disclosure in the Annual Report of a Public Joint Stock Company of a Report on the Compliance with the Principles and Recommendations of the Corporate Governance Code” dated February 17, 2016;

6) Legislation in international capital markets including UK Listing Authority disclosure requirements and London Stock Exchange Listing Rules.

The Report is based on consolidated financial statements made using the International Financial Reporting Standards (IFRS) considers the stipulations of the Corporate Governance Code recommended for use by the Bank of Russia and corresponds to the Global Reporting Initiative in the field of sustainable development.

The Report contains summarized consolidated financial statements under IFRS and the Report on related-party transactions of Sberbank made in 2019 and Report

on compliance with the principles and recommendations of the Code of Corporate Governance recommended for use by Bank of Russia.

The annual report consists of two parts:

- **Part 1:** Management Report, including strategic report, overview of key business areas and financial indicators, corporate governance report.
- **Part 2:** Sustainability Report devoted to work in the field of environmental, social and managerial factors – ESG report (ecological, social and corporate governance). The report is prepared taking into account the views of interested parties, including members of the Supervisory Board, on the ESG areas that are important for Sberbank and should be reflected in the report.

At its meeting on March 17, 2020 the Supervisory Board of the Bank considered the matter “On preliminary approval of the Annual Report for 2019, which includes Report on Sberbank’s related-party transactions made in 2019” and resolved as follows:

- 1) preliminary approve the Annual Report of Sberbank for 2019 and include it in the information (materials) provided for review to persons entitled to participate in the Annual General Shareholders' Meeting of Sberbank on 2019 performance;
- 2) approve the Report on related-party transactions of Sberbank made in 2019 as part of the Annual Report of Sberbank for 2019;
- 3) propose that the Annual General Shareholders' Meeting approve the Annual Report of Sberbank for 2019.

Opinion of the Internal Audit Service of Sberbank for the year 2019

**To the shareholders of Sberbank
To the Supervisory Board of Sberbank**

This opinion has been prepared in accordance with the requirements of Federal Law No. 208-FZ “On joint stock companies” dated December 26, 1995.

Main finding

The results of the audits conducted by the Internal Audit Service (hereinafter, the Service) during 2019 confirm that the internal control, risk management, and corporate management of Sberbank (hereinafter the Bank) systems are generally adequate to the nature and scale of the operations performed and the level and combination of the risks accepted.

No violations, errors or weaknesses in the operations of the Bank that could pose threats to the shareholders’, creditors’ and investors’ interests or affect the financial strength of the credit institution were defined.

Independence of the Service

The Service reports to the Supervisory Board of the Bank and is administratively

subordinate to the CEO and Chairman of the Executive Board, operates in full compliance with the principles of business continuity and consistency, independence, impartiality, integrity, objectivity and professional competence. No limitations on the powers of the Service in its discharge of internal audit functions, which may affect the performance of these functions in 2019, were identified.

Assessment of the internal control system

In accordance with the requirements of Federal Law No. 395-1 “On banks and banking activities” dated December 2, 1990, the Charter of Sberbank contains information on the system of management bodies, including internal control bodies, on the procedure for their establishment and their powers.

The internal control and risk management systems in the Bank are being built under the three lines of defense model.

As part of the 1st and the 2nd lines of defense the Bank provides for the involvement of all

the credit institution’s staff in internal control in line with its responsibilities.

The Internal Audit Service, as the 3rd line of defense, provides an independent assessment of the internal control and risk management systems’ effectiveness. As part of its activities, the Service audits all the Bank business areas with any business unit and any employee of the credit institution being subject to audits.

Control procedures prescribed by the Work plan of the Service¹ for the year 2019 were fully implemented. 7,8 k audits were conducted. The management of the Bank and structural units of the Bank were duly informed of the results achieved in all the audits.

The management of the Bank and relevant business units of the Bank promptly took necessary steps to remedy the violations identified by the Service: more than 4 k assignments to address systemic problems were initiated, about 7.2 k disciplinary actions were taken against the Bank

employees. Progress in the assignments is being monitored by the Service. Following the execution of the assignments initiated by the Service, 344 processes in the Bank were improved.

In order to improve the internal control system in the Bank a standing collegiate working body, the Bank’s Audit Results Review Committee, has been created. The Committee approves the list of assignments, monitors how systemic problems and violations identified by the Service audits are addressed.

The Supervisory Board of the Bank regularly considers issues related to internal control organization and measures to improve its efficiency at its meetings, including when discussing reports on the Service audit results.

Assessment of the risk management system

The Bank manages the Group’s risks and capital in accordance with the Sberbank Group’s Risk and Capital Management Strategy,

¹ The Audit Plan of the Internal Audit Service for 2019 was approved by the Supervisory Board of Sberbank (Minutes dated November 13, 2018 N°30).

approved by the Supervisory Board of the Bank and outlining the basic principles of building the risk and capital management system in line with the requirements of the Bank of Russia, legal acts of the Russian Federation, recommendations of the Basel Committee on Banking Supervision.

As the 3rd line of defense, the Service provides an independent assessment of the risk and capital management systems' effectiveness, particularly monitoring the effectiveness of the methodology for assessing banking risks and procedures for managing banking risks.

In 2019, the Service carried out audits of the effectiveness of methods for assessing all the material risks identified by the Bank. The management of the Bank and Bank business units were duly informed about the audit results of the audits. Execution of the assignments initiated following the audits is being monitored by the Service.

The results of the Service audits were taken into account by the Bank of Russia in assessing the quality of the Bank's risk and capital management systems, as well as capital adequacy. The Bank of Russia assessed that there are no additional requirements for capital adequacy ratios.

Assessment of the corporate governance system

Main approaches, requirements and principles of the Bank corporate management system functioning are set forth in the Corporate Governance Code of Sberbank approved by the Supervisory Board. Specific procedures and corporate management practices followed in the Bank are described in detail and governed by the Charter and internal documents of the Bank. The corporate governance system is focused on protecting the shareholders' rights and interests, improving business performance, increasing the Bank's transparency and investment attractiveness, preservation and increasing its share capital.

The Service also considered the following issues when conducting audits in 2019:

- compliance with the separation of powers and responsibilities in management;
- matching competence and qualifications to the scale of operations;
- adherence to the principles of business ethics and anti-corruption, policies on potential and existing conflict of interest, and also on confidential and insider information.

During the audits the Service did not identify significant violations, the management of the Bank and structural units of the Bank were duly informed of the audit results.

The quality of the corporate management system is evidenced by the National rating of corporate governance (NRCG) assigned to the Bank by the Russian Institute of Directors: in 2019 the rating was raised from NRCG 8 to NRCG 8+.

The Service Performance Assessment by the Audit Committee of the Supervisory Board

In 2019, the Audit Committee of the Supervisory Board confirmed that the Bank ensured the independence of the Service and rated the Service performance and job performance of the Head of the Service as effective.

The Head of the Internal Audit Service of Sberbank;

Senior Managing Director, Director of the Internal Audit Division

O. Chistyakov

Explanatory information

The Opinion of the Internal Audit Service has been reviewed by the Audit Committee of the Supervisory Board.

At the meeting on August 21, 2020, the Supervisory Board of the Bank resolved to include the Opinion of the Internal Audit Service in the list of information (materials) provided for review to persons entitled to participate in the Annual General Meeting of Shareholders of Sberbank on 2019 performance.