



# ASSESSMENT OF THE CORPORATE GOVERNANCE SYSTEM

Even before the formalisation of Russian corporate governance standards, we began to introduce independent directors to the Supervisory Board, built a system of internal control, effectively distributed competences between governing bodies, formed the Sberbank's Mid-Term Development Strategy, sought to provide shareholders with the most comfortable conditions for participation in the shareholders' meetings and the opportunity to receive annual dividends on placed shares, put into practice international accounting standards, and observed the principle of maximum transparency and openness of its activities for shareholders, investors, and other interested parties. One of the incentives for the development of standards and practices of corporate governance was the 1997 release of Sberbank's shares to the organised Russian stock market, which were already included in the First Level Quotation List at that time.

In June 2002, the General Shareholders' Meeting of Sberbank approved Sberbank's first Corporate Governance Code that signified the Group's transition to a higher level of development of existing corporate relations.

When implementing our mission (providing banking services of high quality and reliability, ensuring sustainable functioning of the Russian banking system, preserving household deposits, and investing them in the real sector of the Russian economy), we strictly followed the principles laid down in our own Code and at the same time improved some of its components in accordance with the best practices.

In 2014, after Bank of Russia approved the new Corporate Governance Code recommended for use by joint-stock companies and included Sberbank—at the suggestion of the Ministry of Economic Development of Russia (Order of the First Deputy Prime Minister of the Russian Federation I. I. Shuvalov No. ISh-P13-5859 dated 31 June, 2014)—in the list of 13 state-owned companies which should implement the provisions of the new Corporate Governance Code as a priority, we held a comprehensive assessment of all the components of the corporate governance system for compliance with the recommendations of the Corporate Governance Code of Bank of Russia and the Basel Committee on Banking Supervision and to the requirements of the MICEX Stock Exchange JSC Listing Rules for an issuer's corporate governance.

During the process of analysis, all Code recommendations were divided into several groups:

- ✓ Those that Sberbank observes in full (more than 2/3 of recommendations)
- ✓ Those which need to be implemented
- ✓ Open-ended questions that require the preparation of proposals/additional discussion about the possibility of their implementation (due to the specifics of Sberbank's activity)

The central components of effective corporate governance have been defined, and appropriate proposals for their implementation in Sberbank's processes have been formulated.

The following implementation tools have been defined:

- ✓ The Articles of Association and internal documents of Sberbank
- ✓ A detailed plan for the implementation of the Code's provisions (Sberbank's roadmap)

A key role was assigned to the development of an updated version of Sberbank's Corporate Governance Code, whose creation is primarily aimed at the aspiration to describe the current system of corporate governance and establish a mechanism for its further improvement for the purpose of ensuring the rights and legitimate interests of shareholders, increasing business performance, increasing the transparency and investment attractiveness of Sberbank, and preserving and increasing equity capital.

Sberbank's Corporate Governance Code was approved by the Supervisory Board on 20 April, 2015.

The Code included:

- ✓ Wording of the main approaches, requirements, and principles of functioning of Sberbank's corporate governance system
- ✓ Definitions of the role and functions of each element of Sberbank's corporate governance system and the basic principles of the remuneration system of Sberbank's management
- ✓ Disclosure of the standards of Sberbank's policy regarding the potential and current conflicts of interest, confidential and insider information, and anticorruption activities

- ✓ Definitions of the elements of the internal control system and risk management system and definitions of the internal and external communication policy regarding risks
- ✓ Sberbank's openness defined as a key factor in strengthening trust toward Sberbank on the part of investors, shareholders, and other stakeholders.

For us, the commitment to ethical standards is also important, and constitutes part of our corporate culture.

For the purpose of establishing unified Group standards in terms of ethics and business conduct, on 29 October, 2015, the Supervisory Board approved a new Sberbank Code of Corporate Ethics with the most important rules and principles of conducting business: honest work, a respectful attitude toward customers and colleagues, strict compliance with security rules, and zero tolerance for corruption.

The Code provisions take into account the requirements of Russian and international law, the recommendations of the Basel Committee on Banking Supervision, and the best practices in the field of corporate ethics.

The Code is mandatory for all employees and members of Sberbank's management bodies. Furthermore, the Code applies to all companies of the Group, regardless of their location.

Additional responsibility shall be allocated to Sberbank's executives. Executives of all levels need to show adherence to the principles of ethics by personal example and to maintain a culture of behaviour which enables employees to know and understand their responsibilities and speak freely about their doubts and problems.