



DEALING WITH SUPPLIERS

PROCUREMENT IMPROVEMENT RESULTS

- ✓ Sberbank's Head Quarters completed centralisation of the procurement process across all categories of items.
- ✓ Category strategies have been developed and approved.
- ✓ The Bank implemented pilot projects for procurement centralisation and established specialised procurement units—that is, Regional Bank Procurement Centres.
- ✓ Based on review of problem areas arising in the execution of agreements, the Bank prepared proposals related to streamlining timelines for signing agreements; a new scheme is currently being reviewed for approval.
- ✓ The service catalogue and parameters have been defined and approved.
- ✓ Pilot projects for e-document work flow with suppliers were implemented, and over 30 agreements were signed.
- ✓ The Bank developed a new version of the Procurement Regulation to include changes in statutory requirements.
- ✓ Sberbank has a procedure in place for accreditation of suppliers of the highest-demand products. For procurement of complex and important products, the Group uses procurement procedures that contain several stages of selection and assessment of suppliers.

PROCUREMENT QUALITATIVE CHARACTERISTICS¹

Indicators	Year		
	2013	2014	2015
Total number of suppliers engaged	1,323	1,798	39,295
Total payments to suppliers, RUB thousand	66,798,455	92,582,343	183,025,498
including to local suppliers, RUB thousand	62,257,485	87,869,340	176,212,669
Share of local suppliers in procurement budget, %	93	95	96
including to small- and medium-size businesses, RUB thousand	18,677,693	30,312,385	72,119,537
Share of small- and medium-sized business in the procurement budget, %	28	33	39

MAIN SBERBANK SUPPLIER CATEGORIES

Supplier category	Payment amount, RUB	Share in total payments (%)
Procurement of computer hardware and equipment	32,957,953	18
Information services ²	19,156,523	10
Buildings, structures, and equipment lease	14,898,380	8
Maintenance of computer hardware and equipment	10,309,331	6

¹ The estimate of procurement qualitative characteristics in 2015 included data from 10 Group regional banks* (no RB data was included in 2013 and 2014 (only HO data) due to absence of centralised accounting of internal business operations at that time). Small- and medium-size businesses include data related to the microbusiness segment.

² including payments to SberTech JSC: RUB 14,994,990 thousand.

MEASURES TO PREVENT CORRUPTION IN PROCUREMENT

Sberbank issued an Order aimed at implementing a range of efforts to avoid corruption offenses.

Procurement documents included a standard clause in contracts with counterparties on the "Guarantee to prevent corruption in the procurement activities of Sberbank of Russia."

The Bank implements a range of efforts to centralize procurement. Procurement performance and control within regional banks and headquarters units of Sberbank are assigned to a special business unit, the Procurement Centre of Sberbank Headquarters.

Business units have instructions in place related to procedures for relations with outside counterparties and ethical behaviour.

All employees involved in the Bank's procurement activity must pass annual psychological investigations using polygraphs.

GOALS AND OBJECTIVES FOR IMPROVING THE PROCUREMENT SYSTEM FOR THE NEXT REPORTING PERIOD

- ✓ Procurement centralisation at the regional level, creation of targeted Procurement Centres servicing several regional banks
- ✓ Establishing Procurement Support Centres Transfer of support functions to a unified Centre
- ✓ Enhancing procurement performance by automation and integration (SAP SRM)
- ✓ Introducing e-document work flow procedures for all existing Sberbank suppliers
- ✓ Streamlining the number of staff members involved in procurement through economies of scale and procurement centralisation
- ✓ Improving procurement quality and performance and reducing procurement timelines.