

Shareholders



Sergey Ignatiev

Chairman of the Supervisory Board

Corporate Governance

Address of the Chairman of the Supervisory Board

Dear shareholders and investors:

We would like to bring to your attention to the corporate governance report of Sberbank, where we demonstrate Sberbank's commitment to the highest standards of corporate governance, and also to inform you on the practical aspects of Sberbank activities on the implementation and development of corporate governance practices and procedures in 2016.

Corporate governance issues are under the constant focus and control of the Supervisory Board. The Supervisory Board considers the improvement of corporate governance as part of general improvements to the bank's management efficiency.

Development of corporate governance

Sberbank is a public company with ordinary and preferred shares traded on the Moscow Stock Exchange and included in the top quotation list. Depositary receipts issued for ordinary shares of the Bank are traded on the London and Frankfurt stock exchanges and are also listed on the US OTC market. The circulation of issue-grade securities of Bank on Russian and foreign trading platforms is a factor imposing advanced requirements on the quality of Sberbank corporate governance.

The improvement and development of the Bank's corporate governance is a consistent and comprehensive process. The main aims of transformations made are as follows: to increase the internal efficiency and external competitiveness of the Bank and to improve the informal perception of the Bank's corporate governance practices on behalf of shareholders, investors, and representatives of the professional business community.

Corporate governance approach

As both a credit organization and a public company, Sberbank monitors corporate laws and corporate governance practices in Russia and abroad and complies with the following:

- Recommendations of the Basel Committee on Banking Supervision and the Financial Sustainability Council of financial institutions
- The principles and recommendations of the Corporate Governance Code of Bank of Russia and other requirements of the regulator (Bank of Russia) in the sphere of corporate governance
- Requirements of the Listing Rules of Moscow, London, and Frankfurt Stock Exchanges
- Corporate governance principles of G20/OECD
- International code of conduct and principles of international standards related to Corporate Social Responsibility and sustainable development: ISO 26000, AA1000, and standards for information disclosure developed by the GRI (Global Reporting Initiative)

» Read the Report on Compliance with the Corporate Governance Code of Bank of Russia on page 228-251

Compliance with Bank of Russia Code of Corporate Management

Currently, Sberbank complies with the majority of the principles and recommendations of Bank of Russia Code of Corporate Management.

Sberbank will continue to further develop and improve its corporate governance practices according to the recommendations of Bank of Russia Code of Corporate Management, taking into account the analysis of the prospective application of new practices.

The Recommendations for the Preparation of the Report on Compliance with the Principles and Recommendations set forth in the Corporate Governance Code (appendix to Bank of Russia Letter No. IN-06-52/8 dated February 17, 2016) were used as a methodology in accordance with which the Bank assessed its compliance with corporate governance principles.

Brief Description of the corporate governance system

Corporate governance is the basis of the entire management and control system of Sberbank and includes an organizational model, external and internal control and monitoring mechanisms, and corporate values and guidelines

The key elements of the Sberbank corporate governance system are as follows:

- General Shareholders' Meeting
- Two-level governance system with a transparent and efficient division of management between the Supervisory Board (general management of Sberbank) and the Executive Board (collective executive body), with the option of delegating the Executive Board members to the Supervisory Board, but not exceeding ¼ of the Board's composition
- Independent external audit
- Audit Commission
- Multilevel systems of internal control (accountable to the Audit Committee of the Supervisory Board) and risk management (accountable to the Risk Management Committee of the Supervisory Board)
- Corporate Secretary

The corporate values and guidelines of Sberbank are formed and reflected in Sberbank's following internal documents: The Code of Corporate Management, Code of Ethics, Policy on Countering Corruption, Conflict of Interest Management Policy, and Corporate Social Responsibility Policy.

Role of the Supervisory Board

The Supervisory Board carries out overall management of the Bank's activities and reports to the General Shareholders' Meeting.

The Supervisory Board defines the strategic goals and development directions of Sberbank as well as the general principles and approaches to the organization of risk management and internal control systems.

The Supervisory Board carries out control over the activities of Sberbank's executive bodies, including the compliance of such activities with the approved development strategy of Sberbank.

The Supervisory Board is responsible for the creation, development, and efficiency monitoring of Sberbank corporate governance and for ensuring the transparency of information in Sberbank's activities.

Efficiency of the Supervisory Board

The efficiency of the Supervisory Board is achieved thanks to its balanced composition and coordinated operations. The Supervisory Board includes members of different ages, gender, and nationalities, who have the knowledge, competencies, and understanding of international markets and foreign business cultures necessary for the efficient performance of tasks and functions of the Supervisory Board, and development of Sberbank's long-term strategic objectives.

The composition of the Supervisory Board is also balanced in consideration of the interests of all shareholders and the limitation of the dominant influence of the key shareholder's representatives on the decisions made by the Supervisory Board..

Committees of the Supervisory Board

The Supervisory Board has four committees for the preliminary consideration of issues related to the competencies of the Supervisory Board and for preparing recommendations on making decisions on said issues: The Audit Committee, HR and Remunerations Committee, Strategic Planning Committee, and Risk Management Committee.

The Committees report to the Supervisory Board. The Chairmen of committees provide reports on the work performed by the committees chaired by them as well as on any issues considered and decisions made to the Supervisory Board.

Independent Directors

To ensure the effectiveness of decisions made and to support an equilibrium of interests of different shareholder groups, independent directors are included as part of the Supervisory Board's membership.

6 directors among 14 members of the Supervisory Board are independent directors.

During the independence assessment of the Board's members held by the Supervisory Board, 5 of 6 directors were recognized as fully corresponding to the independence criteria defined by the Code of Corporate Governance of Bank of Russia and the Listing rules of the Moscow Stock Exchange; one director matching the formal criteria of relations with Sberbank and Russia was also recognized as independent due to the immateriality of his relations and the ability of the director to act in good faith and prudently for the benefit of the Bank and its shareholders.

A senior independent director is elected from among the independent directors.

Assessment of Supervisory Board performance

Starting in 2012, to identify additional focuses for the Supervisory Board's operations and committees and to define improvement and development areas, Sberbank established assessments for the activities of the Supervisory Board and its members.

The external assessment of the activities of the Supervisory Board involving external advisers is held at least once every three years, and the Supervisory Board conducts an annual self-assessment of the quality of its own performance (using questionnaires) at a different time.

» For more detailed information on the self-assessment of 2016 see page 100-101

The results of assessments (self-assessments) are considered at the meeting in presentia of the Supervisory Board

Adaptation of newly elected members of the Supervisory Board

Sberbank introduces newly elected members of the Supervisory Board to their position by holding special introductory briefings for them with the participation of top management and other key employees of Sberbank.

Experience has proven that the holding of such an event accelerates the adaptation time of newly elected members of the Supervisory Board and allows them to take an active role in the work of the Supervisory Board immediately after their election.

In the form of assistance to newly elected members of the Supervisory Board, Sberbank also publishes a special interactive Directory containing the main up-to-date information about Sberbank, its organization structure, corporate management system, main rights and obligations of the members of the Supervisory Board, and other useful information.

Upon the work of the Supervisory Board in 2016.

In 2016, the Supervisory Board held 60 meetings, 9 of which were in presentia, while 51 featured in absentia voting. Over 120 issues in total were addressed at the meetings. Throughout the year, the Supervisory Board addressed issues of the top priority bank activities, including information technologies, cybersecurity, risk and capital management strategies, corporate governance, and the appointment and termination of authority for members of the Supervisory Board, and listened to the management Statements of Financial Performance of Sberbank and other issues.

On observing the rights of shareholders

Sberbank's corporate governance system ensures the equal treatment of all shareholders as they exercise their right to participate in Sberbank management and also creates the most favorable opportunities for the exercise of said right.

Respect of the interests of Sberbank shareholders, regardless of the number of shares they own, is among Sberbank's top priorities. Thus, Sberbank also puts forth its full effort to respect the interests of other stakeholders as regards issues of Sberbank's corporate and social responsibility, when working out its development strategy and carrying out its current operations.

Sberbank grants its shareholders equal opportunity to participate in its profits by receiving dividends as well as the right to receive significantly important information on Sberbank's operations.

On the assessment of corporate governance quality

In 2016, Sberbank for the first time received an independent assessment of its corporate governance quality. The Russian Institute of Directors carried out an assessment of Sberbank's corporate governance practice, as a result of which Sberbank was assigned a corporate governance rating of 8, or «Advanced Corporate Management Practice,» on the 10-point rating scale of the National Corporate Management Rating (NCMR). A rating of 8 means that Sberbank duly complies with Russian legislative regulations as regards corporate governance and follows a considerable number of recommendations from the Code of Corporate Management

» More details on the main results of 2016 see on page 93-95

by Bank of Russia. Sberbank is characterized by significantly low risks of owner losses resulting from the quality of corporate governance. Corporate governance assessment at an NCMR level of 8 is the highest value ever assigned to a Russian company.

On the plans to improve the Bank's corporate governance system

Sberbank carries out persistent goal-oriented work to improve its corporate governance procedures and practices. In 2016, Sberbank implemented an array of initiatives in the following areas: ensuring shareholder rights, introducing the best practices in the activity of the Supervisory Board, ensuring information transparency, cascading Sberbank's corporate governance practices in the companies of Sberbank Group, and developing and supporting legal initiatives for corporate governance.

In 2017, further improvement of Sberbank's corporate governance practices is planned for the following areas: ensuring shareholder rights and establishing conditions for their exercise, increasing the effectiveness of the Supervisory Board and its Committees operation, disclosing information, developing corporate governance practices in Sberbank's subsidiaries, updating and developing Sberbank's internal documents, and developing and supporting legal initiatives for corporate governance.

The main focus in 2017 will be placed on the introduction of digital procedures in Sberbank's corporate governance processes, including support for electronic voting at the general meetings for all categories of shareholders.

Despite the positive results in corporate governance development, as of the end of 2016, there are still a number of areas and aspects of Sberbank activity that require close attention and further development. The Supervisory Board is invariably oriented on the further improvement of the corporate governance practices, considering such an approach a cornerstone of future Sberbank achievements in terms of raising its internal efficiency and external competitiveness.

Yours sincerely,

Sergey Ignatiev

Chairman of the Supervisory Board