

Development of Corporate Governance in 2018

The Bank views improving its corporate governance system as an integral part of its overall work to improve the efficiency and effectiveness of its activities; the corporate governance system is also subject to constant monitoring by the Bank's Supervisory Council and executive bodies.

At the Annual General Meeting of Shareholders held on 23 May 2018, a new Supervisory Council was elected that includes, for the first time, five directors not connected with the principal shareholder, including four representatives of minority shareholders, which, according to the Bank, maximises the Supervisory Council's independence and also enables it to represent the interests of a wide range of shareholders.

Shareholders also elected a new Statutory Audit Commission, which retained a place for a representative of minority shareholders.

In 2018, the Bank continued to implement the action plan adopted by the Supervisory Council on the implementation of provisions of the Corporate Governance Code, which is the main source of guidance for improving the Bank's corporate governance system:

the Bank has introduced a practice whereby the Bank's shareholders are provided with the conclusions (opinions) of the members of the Supervisory Council on the independence of each candidate to the Supervisory Council concerning their compliance with the established independence criteria prepared by the Bank's Staff and Remuneration Committee. Previously, the Committee considered the issues of candidates' compliance with the requirements of the Bank's Supervisory Council without providing the relevant conclusions;

regarding all significant issues included on the agenda of General Meetings of Shareholders, shareholders are provided with the detailed position of the Bank's Supervisory Council, prepared in accordance with best practices and expert recommendations;

The Bank's annual reports disclose additional information of interest to the Bank's shareholders, including:

- on the procedures for electing the Bank's external auditor;
- reports on internal assessments of the corporate governance system and the work of the Bank's Supervisory Council;
- detailed information on the distribution of the Bank's net profit;
- on the remuneration of key executives of VTB Group.

During the reporting year, the Bank's General Meeting of Shareholders approved a new version of the Regulation on the Procedure for Preparing, Convening and Holding General Meetings of Shareholders. In particular, the new version of the Regulation expands the list of materials (information) provided to shareholders in preparation for the Annual General Meeting of Shareholders.

The Bank's performance in the area of corporate governance enabled it to maintain a high position in the National Corporate Governance Rating, where it was accorded a score of 7++, corresponding to "well-developed corporate governance practice". The Russian Institute of Directors provides the annual rankings, which are based on an independent review. A rating of 7++ is assigned to companies that comply with the requirements of Russian legislation in the field of corporate governance, and it denotes fairly low risk to shareholders of losses associated with corporate governance.

In order to further develop the corporate governance system in 2019, the Bank plans to conduct its first-ever external assessment of the Supervisory Council. To be carried out by an independent consultant, the assessment will be aimed at, among other things, determining the effectiveness of the work of both the Supervisory Council as a whole and of the individual members of the Council. The results of the assessment will identify areas in which the activities of the Supervisory Council can be improved.

As part of the Bank's ongoing work to improve its system for regulating conflicts of interest, amendments of the Bank's bylaws are planned, including to enshrine the obligation of members of the Bank's executive bodies to refrain from actions that lead to a conflict of interest.