

Information technology in the work of the Supervisory Council

In 2018, VTB Bank introduced a paperless system for the work of the Supervisory Council through the BoardMaps information and communication system. This software enabled the Bank to optimise the processes involved in preparing and holding meetings of the Supervisory Council by creating a unified communication space that meets all security requirements.

The system gives members of the Supervisory Council access to the materials from current and past meetings of the Supervisory Council, as well as information about decisions adopted, participants and other information required for the work of Supervisory Council members (financial reports, press reviews, Bank bylaws, etc.).

Evaluation of the work of the Supervisory Council

Since 2012, VTB Bank has conducted an annual assessment of its corporate governance system (including assessments of the work of the Supervisory Council and its committees).

The assessment methodology was developed on the basis of the provisions of the Russian Law on Joint-Stock Companies and the recommendations of the Russian Federation Central Bank and was approved by a decision of the Supervisory Council's Strategy and Corporate Governance Committee. The assessment also includes a self-evaluation of the activities of the Supervisory Council based on a questionnaire completed by the members of the Council.

In accordance with the methodology approved by the Supervisory Council's Strategy and Corporate Governance Committee, the Bank's corporate governance system is assessed with respect to nine components:

- the division of powers between management bodies;
- organisation of the activities of the Supervisory Council;
- approval of the Bank's development strategy and oversight over its implementation;
- coordination of risk management;
- prevention of conflicts of interest on the part of shareholders, members of the Supervisory Council, the Bank's executive bodies and its employees;
- relations with affiliated parties;
- determination of rules and procedures ensuring compliance with the principles of professional ethics;

- coordination of the disclosure of information about the Bank;
- monitoring the internal control system.

Based on the results of the corporate governance assessment conducted in 2018, the members of the Supervisory Council continue to give it a high rating. The average score of the corporate governance assessment was 3.91 points (97.8% of the maximum value). Two components received the maximum score of 4 points: prevention of conflicts of interest among shareholders, members of the Supervisory Council, the Bank's executive bodies and its employees; and monitoring of the internal control system. At the same time, the other assessed components of the Bank's corporate governance were also highly rated, receiving 3.8–3.9 points out of a possible 4.

Members of the Supervisory Council had an attendance rate of 79.2% at in-person meetings in 2018, while written opinions on the issues under consideration were received from members who were not able to personally attend these meetings. The share of members of the Supervisory Council participating in absentee voting was 91.8%.

Based on the results of the assessment, the Bank prepared a report on the results of its assessment of the corporate governance system, including, among other things, the Bank's planned measures to improve its corporate governance system. The report was provisionally reviewed at a meeting of the Supervisory Council's Strategy and Corporate Governance Committee, after which it was taken under advisement by the Supervisory Council.

Committees of the Supervisory Council

The Supervisory Council has standing committees that support the effective implementation of the Council's managerial and supervisory functions and that provide preliminary detailed analysis and recommendations regarding the issues that the Council deems most important.

At the end of 2018, the Supervisory Council had the following committees:

- Audit Committee;
- Staff and Remuneration Committee;
- Strategy and Corporate Governance Committee.

The Supervisory Council committees are not governing bodies of the Bank and cannot act in the name of the Supervisory Council.

Supervisory Council Committees and their members (as of 31 December 2018)



Audit Committee

The Audit Committee performs an analytical and support function to ensure that internal control systems work effectively. The Committee's remit includes general oversight over the preparation of financial reports and the functioning of the Bank's risk management and internal control procedures, as well as the appraisal of candidates for external auditor, review of the audit report, review of the effectiveness of the internal control procedures and the drafting of proposals to improve them. The Audit Committee is made up of independent members of the Supervisory Council.

In 2018, 16 meetings (five in-person meetings and 11 through absentee voting) were held by the Audit Committee. Considerable focus was placed on analysis and improvement of internal controls at the Bank and within VTB Group, including the effectiveness of managing various types of risks, the development of internal audit procedures in the context of the merger and consolidation of business within VTB Group.

In 2018, the following key areas were addressed by the Audit Committee:

- strategic issues related to development and risk management within the Bank and VTB Group; including changes in the quality of corporate and retail loan portfolios, and the results of the management of market, operational and compliance risks;
- review of information on the compliance of VTB Bank's incentive programme with legal requirements, as well as on the areas of functional coordination on personnel management issues within the Group;
- discussion of the results of the merger of VTB and VTB24;
- analysis of initiatives implemented by VTB aimed at maintaining the effectiveness of the internal control system in combating money laundering and the financing of terrorism;
- oversight over the annual open tender for the selection of an external auditor;
- providing recommendations to the Bank's Supervisory Council on the candidacy of the external auditor;
- coordinating with the external auditor, assessment of the external auditor's report and recommendations provided as part of the audit process and of the review of the Bank and Group's interim and annual RAS and IFRS financial statements;

- regular review of the consolidated financial statements of VTB Bank in compliance with IFRS and quarterly monitoring of the financial results of VTB Group;
- preliminary review of matters related to the Bank's Internal Audit Department: analysis of the schedule for internal auditing, discussion of reports of the Internal Audit Department on significant violations and shortcomings discovered at VTB Bank and its subsidiaries, recommendations by internal audit and external supervisory bodies to further improve the procedures involved in internal and external auditing;
- discussion of issues related to the development of internal auditing both at the Bank and within VTB Group;
- review of other matters related to the Bank's activities, including pursuant to particular assignments from the Supervisory Council.

Staff and Remuneration Committee

The Staff and Remuneration Committee assists the Supervisory Council in resolving matters within its remit in accordance with the Regulation on the Staff and Remuneration Committee of the Supervisory Council of VTB Bank.

The Committee comprises members of the Supervisory Council who have relevant expertise and experience in this area.

In 2018, nine Committee meetings (four in-person meetings and five through absentee voting) were held. The meetings considered issues such as the composition of the Supervisory Council and the Statutory Audit Commission, including consideration of the status of independent members, determination of the remuneration for the members of the Supervisory Council and the Statutory Audit Commission, the selection and remuneration of members of the Bank's Management Board, consideration of a new version of the Regulation on Remuneration of the Executive Bodies of VTB Bank and key performance indicators for assessing their work, determining the criteria for classifying remuneration as "significant" and considering the procedure for the establishment and payment thereof, considering the issue of assessing the compliance of members of the Supervisory Council of VTB Bank with the issuer's criteria for the independence of the members of the Board of Directors (Supervisory Council) provided for by the Listing Rules of Moscow Exchange, as well as other issues within the Committee's remit.

Strategy and Corporate Governance Committee

The Strategy and Corporate Governance Committee assists the Supervisory Council on matters of strategy and corporate governance. The Committee's main tasks are to set the Bank's short-, medium- and long-term strategic objectives and priorities and to monitor progress towards achieving them, to support and improve corporate governance and to assist in the effective strategic management of the Bank's capital.

In 2018, the Strategy and Corporate Governance Committee held 13 meetings (two in-person meetings and 10 through absentee voting). The following matters were considered at these meetings:

Strategic objectives and priorities

- VTB Bank's business and financial plans for 2019;
- termination of the Bank's participation in VTB ECP Finance special purpose vehicle;
- termination of the Bank's participation in VTB Insurance and the acquisition of shares in Cordex;
- termination of the Bank's participation in VTB Bank a.d. Beograd;
- the Bank's participation in Vozrozhdenie Bank;
- the Bank's participation in Sarovbiznesbank;
- the Bank's participation in Zapsibkombank;
- report on the implementation of VTB Bank's Long-Term Development Programme for 2014–2019 based on the results of 2017;
- report on the implementation of the IT strategy for 2017–2019.

Managing the Bank's capital

- distribution of profits for 2017 and determination of the amount of dividends to be paid out;
- VTB Bank's risk and capital management strategy;
- increasing the capital levels of subsidiaries.

Corporate governance:

- results of the evaluation of VTB Bank's corporate governance system;
- procedures for managing VTB Bank's most significant risks.

More information about the Supervisory Council and its committees can be found on the Bank's website at:

<https://www.vtb.com/o-banke/bank-vtb/nablyudatelnyj-sovet/>