

6. SUSTAINABLE DEVELOPMENT

In its activities, VTB Group is guided by the principles of corporate social responsibility. VTB works not only for the benefit of its customers and shareholders, but it also contributes to improvements in the welfare of society and various sectors of the economy.

Since 2008, the Bank has been issuing annual social reports on VTB's interaction with stakeholders.

This section of the report presents VTB Group's main results and achievements in 2018 in the field of personnel development, the implementation of social projects and resource management.

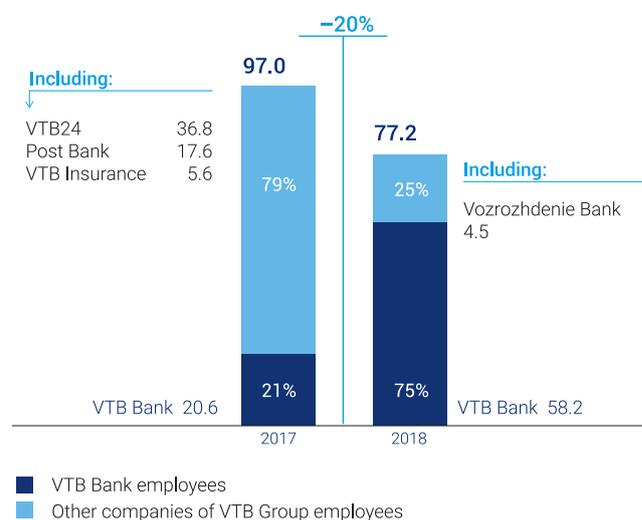
More detailed information can be found in VTB Group's 2018 Sustainable Development Report on the Bank's website at <https://www.vtb.com/akcionery-i-investory/raskrytie-informacii/godovoj-i-socialnyj-otchet/>

Personnel

In 2018, as part of the implementation of VTB Group's strategy for 2017–2019, work continued in all key areas of personnel management and on various strategic initiatives in the field of HR. A great deal of attention was paid to the construction of a single universal bank following the merger of VTB Bank and VTB24, as well as the merger of the Bank's corporate and retail networks into a single regional network.

77,211

employees work in VTB Group



Number of employees, thousand

VTB Group employees

35 average age

73% women

27% men

6 year average work experience within VTB Group

84% of employees have higher education

Incentive and remuneration system

VTB's incentive and remuneration system is designed to motivate employees to be efficient and results-oriented. Incentives provided within the system reflect the results of the Group overall, as well as its business lines and divisions and the individual performance of employees.

In 2018, work continued on improving the remuneration and goal-setting system for the merged Bank in order to maintain the Group's competitive position in the labour market and to ensure that the salaries of executives and employees are linked to the achievement of business targets. Taking into account the merger of VTB and VTB24, as well as the merger of the Bank's retail and corporate networks, which was completed in 2018, a project is being implemented for the development and implementation of a grade system. The aim of the project is to further improve the effectiveness of the wage system and to ensure the establishment of competitive and fair pay grades.

Personnel assessment and staff reserve

In 2018, as part of the updated performance management process, which is designed to support the implementation of VTB Group's strategy and to get employees to set their sights on the achievement of results, individual goals and goals for developing behavioural competencies among Bank employees for the year were established through an automated system on the Corporate Training Portal. The formulation and subsequent evaluation of the achievement of individual goals allowed the Bank to form a clear picture of the results expected from each employee, to stimulate the process of delegating goals and an open dialogue between employees and managers on priority areas of activity and the criteria for evaluating results; the goal of developing general skills such as teamwork, taking responsibility for results, openness to change and a focus on customers helped promote the main messages of the Bank's corporate culture.

Evaluations of functional management teams were also carried out in 2018. Managers from a number of Bank departments were evaluated. The results of these evaluations enabled the Bank to identify strengths and areas for improvement for the effective solution of business problems, as well as to form individual development plans.

As part of the formation of a staff reserve for the merged universal bank, more than 650 employees took part in an assessment of their leadership potential, which made it possible to form a staff reserve for priority business areas and to determine career and professional growth opportunities for the best-performing high-potential employees. Through selection procedures, the Bank formed a functional and operational staff reserve for middle and line management positions.

Training and development

As part of the "Developing Leaders of Tomorrow" strategic initiative, an agreement was concluded in 2018 between VTB Bank, VTB Capital and the INSEAD international business school for executive education. Courses on the following topics are taught online by international professors:

- Business strategy and financial results
- Innovation in an era of change
- Effective leadership communication skills
- Leadership in the digital age
- Strategies for digital transformation

Cooperation with the INSEAD international business school

Each programme lasts from five to seven weeks, combining video lectures, remote sessions, practical tasks to apply the knowledge and skills gained, testing and feedback, while requiring daily involvement on the part of the trainees. The ultimate goal of the programme is to create opportunities for VTB Group managers to obtain systematic, cutting-edge knowledge in the field of management at the global level and to apply it in their daily work. In 2018, 54 managers representing all of the Bank's global business lines and most of the support and control functions of the merged Bank and VTB Group companies took part in INSEAD programmes. More than 200 managers have been nominated to take part in online programmes through the INSEAD business school in 2019.

To support the process of achieving individual development goals, the Bank has developed versatile training programmes aimed at improving managerial competencies through the use of a variety of distance and face-to-face training formats, including modules that have already been tested – the Negotiations Academy and Management Algorithms – as well as new programmes on team leadership, cross-functional interaction, personal effectiveness, change management and staff motivation and engagement.

Work continued on teaching Agile development management techniques (Agile/Scrum) for innovative project teams, a target model for training and developing Agile teams was developed and approved, including team inspections (an assessment of the team's maturity and practical case studies), beginning training sessions for all members of project teams, specialised role-based training on Scrum Masters and Product Owner skills, non-training formats and activities to support teams and build a professional community around this area of work at the Bank. To support the professional Agile community, an open platform was initiated with a conference on the subject of Agile contracting together with a leading provider in the field of Agile methodology, ScrumTrek.

In support of the Group's digital transformation strategy, work began on raising the level of employees' professional IT knowledge and on forming a technological community through a series of technology breakfasts. In 2018, 10 technology breakfasts were organised. Among the topics that saw the greatest interest were "management of digital transformation, or where technologies live at VTB", "experience using biometric technologies in Post Bank Online" and "digital product design: How to listen to users".

In 2018, VTB was the organising partner for the I Am a Professional competition, which is part of the Russia – Land of Opportunity forum. As part of the project, winter schools were organised by VTB and the Higher School of Economics in the areas of Finance and Credit and Business Informatics. The schools included workshops, lectures, business games and business simulations with speakers that included top managers from VTB Bank and leading instructors from the Higher School of Economics. Some of the participants underwent follow-up training at the Bank.

As part of the Bank's work with young specialists, a target model was developed for training interns at the Bank through the Junior and Growth programmes. The programme for the training and development of young specialists includes face-to-face and distance courses aimed at developing professional skills, as well as personal effectiveness and effective business communications.

Responsible Resource Management

One of VTB Group's main priorities is taking a responsible approach to the use of natural resources, with considerable attention paid to improving systems for managing the Group's own resource and power consumption.

In 2018, the Group continued to implement its Energy Conservation and Energy-Efficiency Programme. VTB Group companies adhere to a policy of renovating existing real estate, which is aimed at, among other things, increasing the resource and energy efficiency of the facilities, compliance with high environmental standards and minimising the negative impact on the environment.

As part of improving the resource and energy efficiency of VTB Group properties, resource- and energy-saving technologies are being introduced everywhere, and utility systems are being replaced or upgraded, which is having an impact on resource consumption and energy efficiency. The resource- and energy-saving technologies used by VTB Group companies have a twofold impact, as they also reduce the harmful impact on the environment and the formation of hazardous waste.

In addition to the use of resource- and energy-saving technologies aimed at reducing their environmental impact, VTB Group companies are constantly reducing their own fleet and freight traffic and are optimising routes for automobile traffic. Every year, more and more tires and automotive batteries are turned in for recycling.

In addition, the process of reducing office printing and the transition to paperless document management are still ongoing. Used batteries are constantly being collected, and waste paper is recycled. VTB Group employees also take part in voluntary environmental activities.

VTB Bank's main results in the area of resource management in 2018:

- optimisation of the placement of VTB Bank divisions following the merger with VTB24 – a reduction in the total area of occupied premises with an increase in the number of the Bank's own properties in operation;
- implementation of an Energy-Saving Programme, with the introduction of energy-saving technologies;
- introduction of resource-saving technologies: reduction of water consumption by 14%;
- reduction of the Bank's own fleet (passenger automobiles), a more than 4 times reduction in diesel fuel consumption;
- collection and transfer for processing/disposal of hazardous waste, recycling of waste paper: a more than 30% increase in the volume of paper sent for recycling.