

TINKOFF

2019 Sustainability Report

Non Financial Information and Diversity Statement



TCS GROUP
HOLDING PLC

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Any financial information referred to in this Non-financial statement is derived from the consolidated financial statements of TCS Group Holding PLC and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap 113, which are for the year ended 31 December 2019.

Market data used in this Non-financial statement have been extracted from official and industry sources TCS Group Holding PLC believes to be reliable and is sourced where it appears. Such information, data and statistics may be approximations or estimates. Some of the market data contained in this Non-financial statement has been derived from the official data of Russian government agencies, including the CBR, Rosstat and the FSFM. Data published by Russian federal, regional and local governments are substantially less complete or researched than those of Western countries.

Certain statements and/or other information included in this Non-financial statement may not be historical facts and may constitute 'forward looking statements'. The words 'believe', 'expect', 'anticipate', 'intend', 'estimate', 'plan', 'forecast', 'project', 'will', 'may', 'should' and similar expressions may identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, our plans or goals relating to forecasted operations, reserves, financial position and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, together with the assumptions underlying these forward looking statements. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

Nothing in this Non-financial statement constitutes an invitation to invest in securities of any member of TCS Group.

OUR BUSINESS AND THE IMPORTANCE OF SUSTAINABILITY

The Group is the second largest provider of short-term consumer credit (< 3 years) in the Russian market with a 7.6% market share at YE19. While credit cards constitute the Group's core business, the Group is diversifying the scope of its non-credit products and services made available to customers on both a proprietary and broker-service basis through its one-stop mobile (Tinkoff Bank App) and online (Tinkoff.ru website) customer service destination. Such additional non-credit product lines typically require limited capital investment but provide a valuable opportunity to diversify the Group's sources of revenue, attract new customer segments and drive customer traffic, thereby generating further opportunities for cross-selling. In 2019, these non-credit services already generated 33% of total group revenues.

The Group's management believe that the Group is one of the most recognisable and popular brands in Russian financial services. The Group's marketing and public relations divisions are highly attuned to the latest consumer and online trends and use a variety of communication channels, including its mobile app, its Tinkoff.ru platform, and social networks (Instagram, Twitter.com, Facebook.com, YouTube, Odnoklassniki.ru and Vkontakte.ru) to further enhance the Group's brand recognition.

The Group's strategic goal is to become an integrated financial and lifestyle services provider serving customers through a high-tech online platform that offers premium-quality service and convenience, while maintaining profitability and effective data-driven risk management.

The Tinkoff platforms. The Tinkoff Business Model relies on its mobile app and Tinkoff.ru website as advanced high-tech financial and lifestyle services platforms. As of 2019, the mobile app saw more than 5.6 million monthly active users (MAU) and 1.8 million daily active users (DAU), with over 19 million app downloads. While the mobile app is increasingly the main channel through which we communicate and engage with our customer base, the Tinkoff.ru website retains a certain importance. Both platforms act as a centralised customer acquisition platform through which the Group's wide range of credit and non-credit products and services are made available to customers.

The Group intends to continue to develop the functionality of its mobile app and Tinkoff.ru in order to provide a convenient, one-stop destination which consumers can use to satisfy the full range of their daily financial and lifestyle needs. This should enable it to grow both the total number of the Group customers and increasing the amount of products and services used by each customer. The Group's management believes that by enhancing the Group's mobile and online presence in this manner it will improve access to customers in regions underserved by physical bank branches and to customers from more affluent and tech-savvy demographics that spend more time online and tend to utilise more financial services. Further, it is expected that, as traffic on its platform increases, the Group will gain access to additional data on Russian consumer trends and preferences, which it can use to further refine its marketing and credit analysis and underwriting processes.

The Group's primary customer acquisition channels are Internet and Mobile but it also uses direct sales agents and partnerships (co-brands) to acquire customers. These customer acquisition models, combined with the Group's virtual network, afford it a geographic reach across all of Russia's regions, resulting in a highly diversified portfolio. The Group's main marketing and distribution channels are its online channels (Internet, mobile and tele-sales), which, the Group's management believes, optimise the scope of its coverage and allow it to access otherwise underserved parts of the country. The Group's "smart courier" delivery network enables it to deliver cards and other products and services to consumers throughout Russia within one day. This infrastructure-light operating structure provides a low fixed cost base and high degree of flexibility to ramp the business up or slow the business down according to the external environment.

The Group's operations are supported by its advanced IT capabilities, which underpin the operational efficiency of its Tinkoff mobile app, its Tinkoff.ru platform, and its online/remote service business model. Further, the Group's focus on data analysis enable it to target its marketing and product offerings effectively and responsibly and give it an advantage in its underwriting, risk analysis and collection processes. The Group's management believes that the relatively low level of retail financial services penetration, relatively high margins and regulatory and technology barriers to entry for the Group's competitors make the Tinkoff Business Model attractive in terms of growth potential and competitive edge.

TINKOFF GROUP IS AN INNOVATIVE PROVIDER OF ONLINE FINANCIAL AND LIFESTYLE SERVICES OPERATING IN RUSSIA THROUGH A HIGH-TECH LOW COST PLATFORM. IN THIS DOCUMENT, WE REFER TO THIS AS THE 'TINKOFF BUSINESS MODEL'.

The Tinkoff Business Model involves extensive outsourcing of various customer service and operating functions which helps it to retain its focus on and develop its core competences, to limit capital expenditures and increase the flexibility of its cost base. The Group also outsources various business functions such as data centre management and some collections of overdue loans.

The importance of our brand. Our brand, the Tinkoff brand, and brand strategy are of fundamental importance. Management of the Group recognise that treating fairly and responsibly customers, employees, suppliers and other business partners, as well as those on whom the Company's activities might have positive or indeed adverse impacts is a fundamental part of the Company's success. Management recognise as principal risks any factors that might have a severe impact on the brand and undertake a wide range of initiatives some disclosed some confidential to prevent the materialization of principal risks of severe impacts on the brand.

The importance of sustainable business practices.

The success of our business is tightly linked to the wealth, health, and happiness of our customers. It is highly dependent on our ability to recruit, train, motivate, reward, and promote a talented workforce. It is heavily reliant on Tinkoff maintaining its innovative, technological, and entrepreneurial spirit. It is inextricably dependent on respecting and exceeding all the relevant legislation on issues such as consumer protection, data privacy and security, lending practices. In this document, we have identified a number of impact areas that we think are important in determining the long-term success and sustainability of our business. Tinkoff is committed to improve its sustainability disclosure and practices over time – for the benefit of all stakeholders. We also provide a case study of our response to the COVID-19 outbreak, where we think we were able to showcase all of the strengths of our culture, business model, internal and external processes that best exemplify the long term sustainability of our business.

COVID-19 CASE STUDY

The Company has prepared this case study as a way of illustrating how it acted, what decisions it made and when, when put under the extreme stresses of the ongoing COVID-19 outbreak in Russia in early 2020, to what extent the Company respected the principles set out elsewhere in this statement and how they framed its responses; and to see how the Company has positioned itself for possible subsequent outbreaks later in 2020/2021.

We will look at a number of areas like the Group's employee health and safety practices and initiatives, the remote working regime and other flexible work arrangements, responsible lending practices, liaising with banking and consumer safety bodies in Russia on their crisis responses, the regular updating of the Board by management and daily emergency response meetings of the crisis response committee and other measures.

Tinkoff Group was one of the first companies in Russia to react to the outbreak of the COVID-19 pandemic, swiftly transferring the overwhelming majority of its employees to remote working. By the second week of March, more than 95% of office employees begun had to work remotely. We implemented several health and safety measures for our offices premises: these included-

Regular disinfection	Marking common areas to preserve distance between employees
Open space desks were kept at 1.5-2 meters distance	All critical employees (coming to the office and/or performing deliveries) use personal protection equipment (masks, gloves, disinfectants)
Doctors are on duty at the offices	Regular COVID-19 testing for employees coming to the office, every 15 days

Tinkoff also launched its "Tinkoff Life" program, to support the physical and emotional wellbeing of employees during the pandemic alongside creation of a Tinkoff hotline and Slack channel, used by more than 1,500 employees.

As the progress of the pandemic was different from country to country, we have overlaid a timeline of the critical developments in Russia and the responses and initiatives of Tinkoff Group;

Timeline/dates 2020	Key events and developments	Timeline/dates 2020	Actions and initiatives of the Group
31 January	First cases reported in Russian Far East and Siberia		
2-8 February	Russia closes border with China; and introduces testing	Early February	RUB volatility. Tinkoff moves additional resources to collections and pre collections
9-15 February	First COVID-19 case recovers and is discharged from hospital		
16-22 February	Around 2,500 visitors from China to Moscow ordered to self isolate; Chinese citizens barred from entry to Russia		

Timeline/dates 2020	Key events and developments	Timeline/dates 2020	Actions and initiatives of the Group
23-29 February	Moscow authorities deport 88 foreign nationals for violating quarantine measures; South Korean citizens barred entry to Russia; tour operators suspend tours to Korea, Italy and Iran.	25-26 February	Implementation of additional health and safety measures across all our Russian office premises including: -regular disinfection -marking out distancings in common areas.
From 28 February to 7 March	First confirmed case in Moscow (and 3 days later St Petersburg); Moscow orders self isolation for Russians returning from China, South Korea Iran, France Germany Italy and Spain. New cases reported in scale, largely driven by arrivals from abroad, including Iran, UAE but mainly linked to Italy	1 March	Tinkoff starts mass migration of employees to the cloud
		From 10 March	Tinkoff initiates daily meetings of its COVID-19 crisis management team (replacing the previous ad hoc meetings).
11 March	WHO formally announce Covid-19 is a pandemic		
			Tinkoff organizes online assistance for employees in obtaining compulsory health insurance policies, with over 140 participants. Tinkoff adopts enhanced safety delivery measures for smart couriers (masks, gloves and sanitizer) and generally in its offices.
13-27 March		13-27 March	
		16 March	Creation of a Tinkoff hotline and Slack channel, used by more than 1,500 employees.
17 March	Number of confirmed cases exceeds 100 in Russia	16-17 March	Tinkoff completes migration of 95% of office based employees to the cloud, leaving only around 200 critical employees (from a total over 27,000) physically in offices

CONTINUED

COVID-19 CASE STUDY

Timeline/dates 2020	Key events and developments	Timeline/dates 2020	Actions and initiatives of the Group
19-24 March	Moscow orders all residents over 65 to self-isolate at home. Moscow closes sports facilities. The Russian government announces a 'high alert' status for all 85 of its regions, requiring the whole country to take anti-virus measures	19 March	Tinkoff Mobile implemented functions allowing customers to open accounts using virtual sim cards, waived certain roaming fees for customers stranded abroad and not able to return to Russia
25 March	22 April vote on package of constitutional amendments postponed. Number of confirmed cases exceeds 495 in Russia	Starting 25 March	Deploying Tinkoff cloud-based home call center to assist the Moscow City Government and the People's Social Front (a consumer protection organization) with fielding calls from people afflicted by COVID-19
27 March	Number of confirmed cases exceeds 1,000 in Russia; Russia blocks all international flights; introduces a non-working period, initially to 5 April, extended to 30 April; Moscow closes all restaurants, bars and cafes, and all shops except foodstores and pharmacies.	27 March	Tinkoff refocuses its "Tinkoff Life" program, to support online the physical and emotional wellbeing of employees during the pandemic
20-27 March	Events cancelled, closing schools, theatres, cinemas, libraries, recreational centres and museums, and shutting the border. Russian Government introduces wide ranging measures including state aid to SMEs, mortgage and credit holidays for individuals and SMEs until 30 September 2020, regulating acquiring fees for online purchases and loans at reduced rates	26-30 March	Tinkoff participates in discussions with the Russian Government, CBR and other lenders on the shape of Government backed debt relief and restructuring programmes
29 March	Number of confirmed cases exceeds 1,000 in Moscow		
By end of March	Lockdowns imposed in Moscow and the majority of regions; Aeroflot suspends international flights until 1 August.	31 March	Tinkoff introduced a cash-back offer called "Surviving quarantine" allowing customers to benefit from significant discounts on online services, products and subscriptions that are particularly in demand during isolation (online cinema, home fitness, books, language courses, etc.).

Timeline/dates 2020	Key events and developments	Timeline/dates 2020	Actions and initiatives of the Group
1-5 April	Number of confirmed cases exceeds 5,300 in Russia; new penalties introduced for breaching quarantine	From 4 April	Tinkoff introduces its own internally developed range of flexible credit restructuring packages for retail customers and SMEs
6 April	Moratorium on filing insolvency claims until 6 October 2020	6 April	500 Tinkoff Mobile sim cards with free service packages were donated to for the work of volunteers of the project "WE TOGETHER" (https://мывместе2020.рф). The project brings together volunteers, helps doctors, single elderly people in isolation, supports volunteer initiatives
		8 April	Tinkoff Mobile introduced unlimited slack/zoom for remote work, for RUB1 per month
9 April	Number of confirmed cases exceeds 10,130 in Russia. Russia passed the 1 million test mark	9 April	More than 50 special interest clubs under Tinkoff Life Club organized, involving over 500 Tinkoff employees; Tinkoff introduces zero rated inbound calls package for roamers in quarantine period
12 April	Number of confirmed cases exceeds 15,700 in Russia		
13-16 April	Introduction in Moscow of digital lockdown passes with traffic police controlling vehicle movements; number of confirmed cases in Russia keeps rising, towards 28,000	13-18 April	Tinkoff donated RUB 10m to buy protective equipment for medical staff working with Covid-19 patients (for the Bakulevsky Center and the Davydovsky Hospital)
		14 April	Tinkoff Mobile first waived payment for the elderly, then introduced free and extended «доверительный платеж» (promised payment feature, when we credit the customer's account, and customer pays later. Instead of the normal 3 day grace period with a fee, Tinkoff offered a 2 week grace period, no fee)

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COVID-19 CASE STUDY

Timeline/dates 2020	Key events and developments	Timeline/dates 2020	Actions and initiatives of the Group
17-25 April	Cases confirmed in all federal subjects. Number of confirmed cases exceeds 74,580 in Russia		
27-29 April	Moscow announces construction of temporary hospitals with 10,000 beds; indefinite extension of entry ban for foreigners, originally set until 1 May. Russia passed the 3 million test mark		
2-3 May	Number of confirmed cases exceeds 124,000 in Russia. Russia passed the 4.1 m test mark.		
7 May	Number of confirmed cases exceeds 177,000 in Russia. Lockdown in Moscow extended to 31 May		
12 May	Number of confirmed cases exceeds 232,000 in Russia. Moscow residents required to wear masks and gloves on public transport	13 May	Tinkoff announces Q1 2020 results and includes additional COVID-19 related provisions for FY2020 of R6bln
18 May	Number of confirmed cases exceeds 290,600 in Russia Russia passed the 7.1m test mark		
22-28 May	Number of confirmed cases moves up from 326,400 to 379,000 in Russia		
29 May	Russia passed the 10m test mark		

Timeline/dates 2020	Key events and developments	Timeline/dates 2020	Actions and initiatives of the Group
31 May	Number of confirmed cases exceeds 405,800 in Russia, but continues to rise, but more slowly	1 June	Tinkoff organizes online charity fair for Children's Day, with proceeds going to a fund for orphans. Creative workshops, lectures and quizzes for employees' children hosted, with over 350 children participating

Management believe the case study is evidence that Tinkoff Group acted swiftly and decisively, even at a time of great economic uncertainty and financial stress to safeguard the physical and mental welfare of its employees, and confirm itself as a responsible and considerate lender for those customers whose livelihoods and incomes, and very lives, were threatened by the pandemic. The Group and its employees were generous with their resources-expertise, time and money- to those affected in the broader society too, as well as being heavily involved in shaping how the Russian retail banking industry and regulators responded in unprecedented times.

Tinkoff has proactively helped its troubled retail borrowers with restructuring programs. In the period between March 20, 2020 and June 19, 2020, Tinkoff has restructured 216 thousand loans for a total of RUB 47 bn. As per Central Bank data, in the same period, 75 of the top Russian banks that were surveyed restructured 1,290 thousand loans for a total of RUB 587 bn. on top of the government sponsored restructuring programs (According to Federal Law #106), Tinkoff extensively offered its own restructuring programs, which often provide shorter and more flexible arrangements for borrowers, and have less stringent eligibility criteria. These programs had significant take-up among our affected borrowers and helped them get through the initial economic shock; more than 50% of customers that joined a restructuring program in April 2020 returned to current status by May 2020. Additionally, Tinkoff provided several educational resources on its mobile app and website for borrowers to learn how to deal with potential unemployment or income decline, and how to request and obtain the most suitable debt restructuring program.

Tinkoff successfully supported its SME client base during the pandemic. Tinkoff lowered acquiring and account fees, offered payment holidays on its small test loan portfolio, helped SMEs move online, and launched 0% loans to pay salaries in partnership with the Russian Bank for SME support.

IMPACT AREAS

Maintaining our innovative spirit and capability

Tinkoff is always looking to innovate: innovations save time, enhance the customer experience, and in most cases reduce the environmental impact of the business. Tinkoff promotes a corporate culture of experimentation and open communication. We encourage our young employees to innovate and even make mistakes. To us, experimentation and innovation are not merely buzzwords. Each team member looks at problems from different angles and tests a range of possible solutions to find the best way to address the challenges.

At Tinkoff, we have a flat organizational culture. We practice delegation of decision making to the levels deep below the management team and we actively promote discussion and ideas generation and exchange.

We believe in creating a work environment where highly talented people are empowered. Empowerment is an important ingredient in the success of our organization. It is also about the work environment – having an open leadership style where information can flow freely – where ideas are constantly channelled up, down and laterally throughout the Company. We do not have ‘a rule by committee’ approach. We utilize all types of forums to promote continual dialogue – using email, various online chat rooms, flash meetings, as well as formalized meeting structures. Anyone can talk to anyone and transparency is encouraged.

In line with our ‘test and learn’ approach, we test many concepts and models and implement the most successful. Our employees are not afraid of making mistakes and failures; in our quest for the most successful models we support many experiments and promote open communication between colleagues. Concepts and models rejected at one point may be revived in changed circumstances. We welcome innovative ideas to solve challenges in many different ways and we believe in the idea of a work environment granting talented people far-reaching authority. Greater rights and opportunities for our people are a crucial element of our success. To deliver on the Group’s objectives, we use various channels to establish communication between employees: email, online chats, meetings, etc. Any employee can address anyone in the Company regardless of their position.

These values are deeply embedded in what internally is described as the **Tinkoff DNA**

TINKOFF DNA

Our business is growing. However, the Tinkoff spirit remains that of a young, flexible, and innovative company. We are proud of our culture and values, and it is important for us to work with those who share them.

The Tinkoff DNA is built around five key values that were born from the everyday behavior and suggestions of our employees. They are not imposed artificially on our workforce. They are born within the Tinkoff team.

We work for our customers

- The customer is our employer. If the customer is satisfied, the company is successful. If the company is successful, so are we.
- We listen to our customers. Whatever they need, we need.
- We anticipate customers’ desires. We create things before customers even know they are possible.

We are all in the same boat

- We win and lose together. We succeed and work on our mistakes together.
- We are motivated by the success of our colleagues. Their success is our success.
- We debate and argue, but always listen to each other. We find the best possible solutions for the success of the company.

We set trends

- We are not afraid of making mistakes. We learn from them. Everyone is free to act as he/she sees best, and everyone can make mistakes
- We share ideas with colleagues, even if the ideas do not seem ingenious. We quickly test hypotheses and make decisions based on data analysis.
- Tinkoff creates some of the best products in Russia and globally.

We consider the company to be ours

- We do not divide duties into important and unimportant. If something can be improved, we will improve it.
- We think about how our actions will shape the future. Not as forecasters, but as visionaries.

We love what we do

- We are driven by results and exceeding expectations. We know there are no outstanding results without outstanding efforts.
- We move forward and inspire others by setting the example.

Some of the most impressive innovations introduced in 2019 are summarized below:

- Tinkoff was one of the first adopters of the Central Bank of Russia’s Faster Payments System, as it continued to build out its payment services ecosystem. Customers can make and accept instant payments to and from accounts at any FPS member bank using just a mobile phone number.
- Tinkoff Group built its own supercomputer in line with its AI First strategy and ambition to develop a platform for machine learning and artificial intelligence. The Kolmogorov cluster is designed to quickly train models on large datasets built since the Company’s inception 13 years ago. Fast connections between computer nodes improve the efficiency of hardware resources in distributed training on huge data sets. Tinkoff’s supercomputer ranked 8th in the Top 50 supercomputers in Russia — the highest among participating businesses.
- Tinkoff Investments allowed customers to invest in global IPOs along with major investment funds and investment banks.
- Tinkoff Investments launched a web-based platform for securities trading.
- Tinkoff announced the Tinkoff Travel digital platform relaunch and the creation of its own online travel agency with a compelling offering of air travel, railway tickets, packaged deals, hotels and rental cars.
- Tinkoff launched its own asset management company Tinkoff Capital to offer customers Tinkoff’s own ETFs and funds.
- Tinkoff introduced “Oleg”, the world’s first voice assistant created in Russia for finance and lifestyle-related tasks. His mission is to help users navigate within the Tinkoff ecosystem, make customers’ lives simpler and become a friend who is always nearby. Oleg is the first voice assistant built by a financial institution as a proprietary solution.
- Tinkoff launched sales to corporate customers of Tinkoff VoiceKit. Tinkoff VoiceKit is a set of proprietary speech-to-text and text-to-speech technologies developed by Tinkoff Group.
- Tinkoff Investments launched “Pulse”, a free social network for investors, accessible via the Tinkoff Investments mobile app.
- Tinkoff Investments brokerage platform launched Open API (application programming interface) for algorithmic traders, enabling them to create robots and set up automatic trading.
- Tinkoff and CloudPayments launched CloudTips, the first banking service for cashless tips, donations, targeted charitable support, and more. With CloudTips, users can send cashless tips to service providers, such as waiters, bartenders, hairdressers, taxi drivers, couriers, and others. It can be used to give donations to streamers, provide targeted support, for example to street musicians or performers, and for crowdfunding purposes.
- Tinkoff launched Russia’s first super-app — and the first by any European financial services company — a versatile application designed to meet almost any financial, leisure or lifestyle need its users may have. The Tinkoff super-app’s key features is its own marketplace. External partners can connect to the marketplace (via open API) using the «app-in-app» model and offer targeted products and services within the Tinkoff app.
- Tinkoff developed and installed in Moscow Russia’s first fully digital ATMs. The brand-new model, dubbed «Keshka», features a 32-inch screen and does away with a physical keyboard and receipt printing.

Tinkoff Investments is democratizing access to financial markets. In a year of continuous innovation, Tinkoff Investments – our retail brokerage platform – opened 1 million new brokerage accounts and became the #1 in Russia by number of active clients on the Moscow Stock Exchange. Features such as easy onboarding, ability to transact directly from the debit card, roboadvisory, offering of both single stock and fund/ETF, a social network providing content and investment ideas and recommendations have contributed to more and more customers having access to financial markets, adding a valuable savings tool to a population that has historically relied on cash and deposit savings.

IMPACT AREAS

Responsibility towards our customers

Our customers are our most important asset. We have a variety of formal and informal means of soliciting customer feedback including through our call centres which on average in 2019 handled over 3 million inbound calls per month. This gives us feedback on a massive scale about our products and services and about the Tinkoff Group as a whole to which we respond with interest and enthusiasm, as well as on the products and services of other financial services providers in Russia.

In order to develop better products **the Group regularly applies a ‘test and learn’ approach**, by running small scale tests to gauge customer interest ahead of rolling out, refining or shelving innovations or new products, based on the feedback.

The Group’s marketing and public relations divisions are highly attuned to the latest consumer and online trends and use a variety of communication channels, including its mobile app, its online platform, Tinkoff.ru, and social networks (such as Instagram, Twitter, com, Facebook.com, YouTube, Odnoklassniki.ru and Vkontakte.ru) to monitor these as well as further enhance the Group’s brand recognition.

We consistently monitor our customer satisfaction, and are delighted to see strong results such as:

- The rating of our mobile app (4.8/5 on iOS, 4.6/5 on Android)
- People’s rating on banki.ru (consistently among the Top 3 banks in Russia <https://www.banki.ru/services/responses/>)

The Group has a policy to protect the health and safety of its customers, although there is no perceived significant risk of any of the Company’s products having possible effects on consumers’ health or safety.

Our responsible lending approach

Legal framework. Financial consumer protection is generally based on Federal Law No. 2300-1 “On Consumer Protection Law” dated 7 February 1992, as amended (the “Consumer Protection Law”) and Federal Law No. 353-FZ “Consumer Lending Law” dated 21 December 2013 (the “Consumer Lending Law”). The Consumer Lending Law regulating consumer lending in Russia came into force on 1 July 2014. The Consumer Lending Law is intended to provide more specific regulation of consumer protection in the Russian banking sector, in contrast to the Consumer Protection Law, which contains more general regulations.

The Consumer Lending Law sets requirements in relation to the terms of a consumer loan agreement. In particular, a consumer loan agreement must contain general terms and specific terms. General terms of the consumer loan agreement are based on the lender’s template form, whilst the specific, key, terms are agreed in each case between the lender and the borrower.

In addition, the Consumer Lending Law sets out the limits of penalties payable under consumer loan agreement in case of the borrower’s payment default.

There is a clear trend in Russia towards increasing consumer protection. In recent years there has been a significant increase in consumer protection in Russia aimed at challenging certain terms of consumer loans. This has included, among others, a lender’s right to charge various commissions for mobile banking services, the inclusion of the borrower in an insurance programme, cash withdrawals from automatic teller machines, a lender’s right to charge interest on accrued interest, a lender’s right to amend the terms of the consumer loan agree-

ment and applicable tariffs without the specific consent of the borrower, a lender’s right to assign loans to non-banking organisations including collection agencies, and the resolution of disputes only at the location of the lender. Rostrebnadzor, the Consumer Protection Agency of the Russian Federation, regularly initiates administrative proceedings against Russian banks for violating consumers’ rights. Tinkoff, together with other Russian banks, is regularly subject to reviews and mystery shopping experiments. Our results have been overwhelmingly positive over time.

New regulations in Russia are constantly being introduced; In 2019, the CBR has introduced an additional metric which focuses on the overall debt burden of borrowers. This burden will be determined using a payment to income ratio (PTI) which will be calculated as the ratio of the borrower’s monthly debt payments under consumer loans to that borrower’s average monthly income. In an attempt to discourage lending to more leveraged part of the population, the CBR has asked banks to hold more capital against loans to borrowers with high PTI. While there are some definitional differences, Tinkoff’s own underwriting standards have for years taken into consideration the borrowers’ leverage position, through several metrics such as PTI (Payment-to-income ratio), DTI (debt-to-income ratio), DSTI (debt-servicing-to-income ratio).

This initiative is intended to have the effect of avoiding future consumer lending bubbles caused by irrational competition in the unsecured (and possibly in the future) secured lending space. Management of the Group, in the spirit of fair competition and adequate consumer protection, welcome these additional consumer protections and new regulatory initiatives such as possible payment to income ratio caps.

While there is a risk that changes in applicable consumer protection and banking legislation or their interpretation by the courts and regulators could impose greater compliance burdens on the Company, conceptually we support such measures and as a responsible lender that issues low credit limits to customers. We believe such developments would make the market safer for Tinkoff to operate in and should work to the advantage of those lenders like Tinkoff who are focused on building long-term relationships with their customers and a sustainable lending business.

We go beyond the minimum legal requirements. In addition to the consumer protections and safeguards set by the retail finance regulatory regime, the Company goes further, trying to protect customers from harm even where the customers’ activity does not harm the Company. These include some mentioned elsewhere in this Non-Financial statement such as borrower education and promoting financial literacy through our ‘Tinkoff Journal’, and the excellent support available through our highly trained call centre staff.

Our lending approach is centered around ensuring a mutually beneficial relationship with our customers, and can be summarized in the following way

- The Group uses an approach based on **thorough data** analysis in the selection of potential customers and portfolio management. The Bank uses credit scoring models (which are regularly updated), ranking potential customers by the likelihood of fraud or default.
- **The Group rigorously applies a “low and grow” approach.** This means applying a model according to which we assign the smallest possible credit limit, which is then increased gradually over time for borrowers with good internal credit history, supported by estimates of credit history bureaus, and that have shown their creditworthiness over time. This leads to average ticket sizes that are smaller than the market. The Bank applies four main components to the underwriting process: initial selection; credit bureaus; verification; limit management. **This approach provides a low level of first payment defaults and in general overdue debts.**
- The Group applies debt-restructuring programs that allow the Group to **retain bona fide borrowers** who have lost their income due to temporary financial difficulties.

To ensure an acceptable level of credit risk and to act responsibly towards our customers:

- One of the basic principles of the Group is to provide loan products that provide maximum satisfaction of customer needs while maintaining an acceptable level of credit risk.
- Contracts are underwritten after a comprehensive study of the information provided by the customers. Preliminary

approval of a loan is made based on automatic scoring (including assessment of forecasted default and profitability assessment) or preliminary assessment of the financial position of a potential borrower on the basis of data and information provided, available and / or additionally requested from a client / potential client.

- The Group **assesses the creditworthiness of the client on an ongoing basis**, both before and after the loan is issued
- **The Group calculates the debt burden** per borrower (PTI hereafter) according to the rules established by the Central Bank of Russia. The PTI for a loan provided to a client is calculated as the ratio of the average monthly payments for all loans and borrowings of the specific clients relative to his or her average monthly income. PTI is calculated to complement the decision of issuance of a new loan or for a credit limit increase.

Our loan issuance procedures keep in consideration transparency for the borrower:

- We provide all the necessary information on the conditions for granting, utilizing, and repaying a loan according to the relevant Russian Federation laws, as well as providing easily accessible resources on our website.
- We inform the client about the full cost of the loan, determined both in percent per annum and in absolute monetary terms, calculated in accordance to the relevant Russian Federation laws.
- We inform our customers about changes to the lending limits by means of remote servicing channels (Telephone customer service, SMS, Internet Banking, Mobile Banking), and also indicate these changes in the monthly statements. In the case of disagreement with the change in the lending limit, the client is entitled to apply to the Bank with a request to review the limit.
- The customer has the right to unilaterally refuse to execute the contract at any time by sending the corresponding application to the Group in writing or via remote service channels.
- During the collection procedure for overdue debts, Tinkoff policies specify that the Group does not perform legal and other actions with the intention of causing harm to the borrower.
- In addition, the ‘Tinkoff Stories’ function within the mobile app includes a number of user tips to help customers manage their financial affairs more advantageously.
- Credit protection is optional and can be switched on/off any time in mobile app or through the call centre.

IMPACT AREAS

Responsibility towards our customers (Continued)

Tinkoff employs a structured and customer-friendly approach to dealing with customer complaints.

- Customer complaints (regarding products and services provided by the Group, as well as other issues) can be submitted to the Group verbally, in writing, or electronically.
- Complaints are recorded by the Group's employees in real time upon receipt, and then proceed to creating action plans with specific time frames to resolution.
- Decisions on the complaints are then communicated by the Group's employees to the client through remote banking services
- In order to preserve customer loyalty, in the case of mistakes Tinkoff employs several compensatory techniques including monetary compensation, gifts, and improved/preferential tariffs.

The Group has other tools available to it to aid borrowers in difficulties; these include:

- Proactive conversion to instalment repayment (if the customer is in a high risk category or utilized over 100% of his/her credit limit)
- Pre-collections
- Remote channel notifications (SMS, mobile app, emails, etc)

The importance of push channels. For the sale of credit products and services, Tinkoff emphasizes the use of push channels rather than pull channels. This helps the Company avoid adverse selection, avoid lending to more vulnerable parts of the population, and allows it to underwrite consumers it understands better and that have reasonable credit risk.

Data Protection and security

Data protection security is paramount to our business. Below is a description of the approach to identifying and addressing data security risks:

- 1) Information security is embedded in the creation and the lifecycle of all of Tinkoff's products and services, through security & privacy by design, zero trust architecture, early detection of vulnerabilities, and more
- 2) We employ market leaders to assess vulnerabilities of external applications
- 3) We control data transfers and leakages through internal cloud systems by Data Leakage Prevention systems.
- 4) Client's data in our CRM systems protected by our own fraud monitoring team
- 5) Internal teams carry out ongoing infrastructure penetration tests
- 6) We carry out internal and external bug bounty programs
- 7) We maintain the highest level of compliance with local regulations, confirmed by successfully passed audits
 - a) Cryptography (FSB)
 - b) Personal data (RosComNadzor)
 - c) Regulation 382P on information security (Central Bank of Russia)
- 8) We heavily investment in our internal security culture:
 - a) Fintech security school
 - b) Internal and external developer and security trainings
 - c) Security education programs for business analysts

d) Month of bugs (regular searches and analysis of system security bugs)

e) External security workshops for top managers

- 9) We implement automatic incident response with robot process automation (RPA) elements
- 10) We implement proactive Intelligence-driven threat hunting, with 400+ identified hacker techniques
- 11) We Increasingly use machine learning to detect incidents.

Our efforts in ensuring the highest standards of information security were recognized in 2019 when Tinkoff was named the World's Best Corporate Digital Bank in Information Security and Fraud Management and the Best Consumer Digital Bank in Central and Eastern Europe in the 2019 World's Best Digital Banks award by Global Finance magazine.

In 2019, Tinkoff Group was involved in no legal proceedings related to bank secrecy and medical privacy. 99% of claims related to personal data were settled in court in the Group's favor.

In 2019, the Group recorded fraud incidents with respect to 100,034 cards, which resulted in a loss to the Group of approximately RUB 8.6 million. Among fraud incidents recorded by the Group in 2019, "Account takeover" fraud accounted for the largest proportion of all fraud cases (affecting 38,294 cards), followed by "card not present" fraud (32,471 cards), "friendly" fraud (15,600 cards), "card stolen" fraud (7,968 cards), "card lost" fraud (4,333 cards), "counterfeit card" fraud (595 cards), "fraudster" fraud (40 cards), other fraud 733 cards. The year-over-year growth in the total number of fraud accidents is a function of growth of the customer base rather than a function of the growing prevalence of fraud.

	2018	2019
Total number of fraud incidents (number of cards affected)	68,251	100,034
Loss to the Group as a result of fraud incidents	RUB 8.3 million	RUB 8.6 million
Account takeover fraud (number of cards affected)	16,979	38,294
Card not present fraud (number of cards affected)	29,605	32,471
Friendly fraud (number of cards affected)	13,367	15,600
Card stolen fraud (number of cards affected)	4,162	7,968
Card lost fraud (number of cards affected)	3,225	4,333
Counterfeit card fraud (number of cards affected)	436	595
Fraudster fraud (number of cards affected)	376	40
Other fraud (number of cards affected)	101	733

Responsibility towards our current and prospective employees

The Group has grown impressively in recent years. At the end of 2013 the year of our IPO the Group had a total staff of 4,166. This had risen to over 11,600 by the end of 2016, to over 18,000 by the end of 2017, to over 24,500 by the end of 2018 and around 24,700 at the end of 2019. Tinkoff is a young company, with an average age at 31 December 2019 of 28. For staff based in the HQ the average age is 29, in Operations just 26. Our business's success is highly reliant on attracting a high quality, dynamic, entrepreneurial workforce.

We receive regular feedback from our employees on a wide range of topics, ranging from conditions of employment, the Group's charitable and community activities to lifestyle choices and, as most employees are also customers, on the Group's products and services.

Attracting the best

We follow an unconventional recruitment approach. We do not hire stereotypes. A lack of work experience in banking or finance does not necessarily put applicants at a disadvantage. On the contrary, a lack of such experience can often be a plus.

We hire people who are willing to change the financial services landscape, and no prior experience in this segment means the applicant does not have any preconceptions about how things 'should' be done or how things 'should' work. We prefer people with analytical mindsets, those who can handle large amounts of data and figures. They would be graduates of technical departments at Russia's top universities, and we would inject Tinkoff DNA into them and keep fostering them within the Tinkoff culture.

To attract the best, we cast our net wide. We do not wait for applicants to come to us, we actively search for potential applicants and/or to project the Tinkoff brand into the widest range of talent pools. We also commit very significant time and resources to upskilling the workforce we have and positioning ourselves to meet their needs and aspirations. We recruit new employees through advertising and job sites, student forums, social networks and other online channels. IT specialists and other core personnel are hired through a highly selective head hunting process targeting top IT graduates and experienced professionals from various backgrounds. We also target the best students from top national and international universities, including winners of

contests in mathematics, physics and programming.

The Group's human resources policy is focused on the following core principles:

- bringing together numerically minded people with analytical backgrounds;
- flat structure with no bureaucracy and minimum hierarchy;
- creating an intellectually challenging work environment;
- creating an effective and fast learning environment;
- fostering a culture of generating ideas and assuming responsibility;
- embracing open dialogue, cooperation and creativity;
- demonstrating efficiency with minimum bureaucracy;
- promoting team spirit and an entrepreneurial culture;
- empowering employees and delegating responsibilities;
- creating an environment when employees can experiment, make mistakes and draw the right conclusions;
- promoting 'test and learn' approach.

IMPACT AREAS

Responsibility towards our current and prospective employees

(Continued)

The Group operates in an extremely competitive recruitment market: it therefore needs to be and be seen to be one of the very best employers. As it grows, the Group's business requires the effective expansion and maintenance of the Group's financial, IT, and information management control systems, the continued training of its personnel, continued efforts to maintain or enhance the quality of its customer service operations and the recruitment of additional employees. This means the Group is constantly recruiting and in a very competitive environment; failure to recruit and integrate sufficient new talent would pose risks to the Group's business.

Employee remuneration, motivation, and promotion

Tinkoff Group carries out regular employee engagement surveys, which we benchmark to other companies in the technology and financial sector. The results were extremely positive, with 63% of employees providing positive feedback, and with particularly strong scores relative to peers in the fields of "work, structure, & process", "clear & promising direction", "performance management", "development opportunities", "authority & empowerment", and "pay and benefits".

The Group recognizes that while turnover in Operations has been declining for several years, the competitive market for IT specialists has led to an increase in turnover at HQ level. Despite this, the Group believes that its figures are largely in line with the industry standards. Additionally, several initiatives are currently being rolled out to address this issue. In 2019, 42% of vacancies were filled by promoting internal employees, testament to the quality of our home grown talent.

Year	2016	2017	2018	2019
Operations	76%	63%	58%	50%
HQ	13%	18%	20%	22%

We offer thorough career development and training for all levels. The Group believes that adequate training of its employees is key to creating a qualified and loyal workforce. Therefore the Group implements both internal and external training, including training at the individual product level. In 2019, the group spent a total of RUB 354 million on staff training

Training and education of employees, including internal and external training RUB 107.0 million

Employee training for company products RUB 233.7 million

Technical support and development of distance learning RUB 13.2 million

Total RUB 353.8 million

The Group offers a clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation. All Group employees have written employment contracts in compliance with applicable law. A clear performance evaluation process and fair compensation are essential. Employees are evaluated on a regular basis in order to monitor their achievement against KPIs, to determine incentive compensation, and to provide feedback which can be used for their career development. The Group offers above market average compensation with an attractive variable component, partially linked to KPI achievement and to the overall financial performance of the business.

Diversity and inclusion/flexible working regimes

Tinkoff is an equal opportunity employer. Tinkoff is committed to offering equal opportunity and equal treatment to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment. Recruitment, training and promotion are based exclusively on merit, with all Tinkoff employees involved in the recruitment and management of staff responsible for ensuring the policy is fairly applied within their areas of responsibility. The Group applies this approach throughout, at all levels. This includes its administrative, management and supervisory bodies.

As at 31 December 2019	% of female employees
Total employees	38%
Tinkoff Bank Management Board	29%
Tinkoff Bank Board of Directors	20%
Tinkoff Group Board of Directors	20%

The Group has a special division responsible for the employment of employees with disabilities. This led to the creation of special workplaces and infrastructure for employees with disabilities. The Tinkoff Business Model is based on a high-tech branchless platform gives us additional recruiting flexibility which means there are no barriers for differently abled people to join our company and succeed. This helps us widen and diversify the Group's employee base and hire people purely on their merits and professional skills.

In 2019, we continued to develop our home call centre, which gives employment opportunities to a number of groups unable or less able to work in standard office jobs: people with different disabilities, residents of remote regions with limited access to transport and those who can only work part-time (such as mothers on maternity leave or carers).

As of December 31, 2019, the Group employed 30 employees with disabilities.

The majority of the Group's employees are engaged in customer service (Call Centre, telemarketing and telesales, smart courier services, underwriting, collections, Home Call Centre, etc.). All such employees are trained online, and all the necessary corporate tools and materials are stored in a special cloud environment. Our home call centre allows people to work anytime, anywhere, and the hours and workload are flexible. Future employees are trained online, with all the necessary tools cloud-based. As at the end of 2019, our home call centre employed over 10,500 people across the entire country, which makes it one of the largest cloud-based call centres in Europe. From late 2017, our home call centre expanded to Cyprus.

Educational programs

In 2019, for the fourth consecutive year, Tinkoff implemented educational programs for schoolchildren and students through its Tinkoff Education subsidiary. The main goal of educational programs is to show best industry practices to the most talented and motivated schoolchildren, university students and graduates from all over the Russian Federation. All programs are free. Tinkoff Education has had a government license for educational activities since July 2019.

Tinkoff Fintech

Tinkoff Fintech is a student course focused on learning IT and analytics. In 2019, we organized 40 courses for students and graduates in 8 cities (Moscow, Saint Petersburg, Izhevsk, Ekaterinburg, Nizhny Novgorod, Novosibirsk, Rostov-on-Don, Ryazan) with more than 1,000 participants. 526 students successfully completed the courses, and 116 were hired by Tinkoff. We offered 18 unique courses such as Front-end development, iOS & Android, Python, Kotlin, Scala, Java to Scala, QA Automation, Site Reliability Engineering (SRE), Product Design and Project Management in Fintech and Product Analysis, and others.

Tinkoff Generation

Tinkoff Generation is a schoolchildren course focused on learning informatics and mathematics. We have 4 streams for schoolchildren: Mathematics for Olympiads, Algorithms and data structures, Machine learning and Deep learning in 7 cities (Moscow, Saint Petersburg, Izhevsk, Ekaterinburg, Nizhny Novgorod, Rostov-on-Don, Ryazan). We worked with 549 schoolchildren 82 of whom became participants of the All-Russian Student Olympiad in mathematics, informatics, economics, physics and even astronomy. The All-Russian Student Olympiad is the most prominent and well-known competition for schoolchildren in Russia. Last year 39 school students we work with participated in the All-Russian Student Olympiad, 5 of them won gold medals and 12 won silver medals in informatics, one student also won the silver medal in mathematics. Tinkoff Generation today is the biggest community of gifted and motivated schoolchildren under the patronage of a private business company.

Partnership with Educational Centre Sirius

Sirius is the top government-initiated project for supporting talented children. Tinkoff is a partner at the Big Challenges Program, which is the largest scale program for schoolchildren in Russia aimed at innovation in priority scientific and technological areas. In July 2019, a group of schoolchildren under the mentorship of our employees produced a prototype of an optimizational algorithm and an app for scheduling meetings between Tinkoff's representatives and clients. This prototype was implemented and successfully tested in two small cities: Tula and Saransk.

IMPACT AREAS

Responsibility towards our current and prospective employees (Continued)

Tinkoff Academy

Tinkoff Academy is an educational program for Universities. We have a master's degree program in partnership with the Moscow Institute of Physics and Technology. There are three majors: Machine Learning, Analytics and Scala Development. We also introduced two new courses at the Department of Mechanics and Mathematics at Moscow State University: Applied data analytics and Industrial data science.

We also support Summer computer school and other summer and winter schools for schoolchildren in different regions of Russia. We share both financial aid and organizational support and expertise with different locals Olympiads in informatics and mathematics.

Online contests

We launch online projects on a regular basis: computer vision contests, mathematical games, programmer contests, analyst days, machine learning and other competitions.

Additionally, Tinkoff has two annual programs for students. In 2019, these programs included Project management and Analytics in Fintech and a two-week educational module held in April and November.

Tinkoff Development Hubs

In autumn 2018, Tinkoff became the first Russian bank to open a virtual Development Hub, a cloud office bringing together employees from different locations for banking product development. To date, Tinkoff has 11 operating 'Tinkoff development hubs'. The virtual Tinkoff Development Hub is the 12th with an additional one in Cyprus. All cloud office employees have been integrated in mixed teams working with developers from the Moscow and regional development hubs.

The virtual Tinkoff Development Hub has helped the Group significantly expand the geography of personnel and reduce the time needed to find developers with relevant competencies. A special candidate interviewing procedure was created to address the specifics of remote working. At the first stage, candidates undergo preliminary technical screening followed by a designated soft skills test to assess their ability to work remotely, communicate, take initiative, and so forth. If this stage is successfully completed, the candidate is then invited for an interview on professional skills.

The Tinkoff Development Hub operates as a standalone business unit of the Bank with a dedicated head, HR team and other components integral to functional centres. Tinkoff sees cloud office developers as fully-fledged team members, planning for long-term collaboration and is committed to integrating the virtual Tinkoff Development Hub employees into its in-house team through corporate meetings and joint events at its Moscow headquarters and Sirius-based Development Hub in Sochi as well as the Bank's other regional hubs. Employees from the virtual development hub enjoy all social benefits of a regular developer at the Bank, including English language courses, free business trips to dedicated forums and conferences, and more.

Hub employees work on developing a universal financial platform and financial services such as online banking, personal investment management, insurance, etc. The hub is also tasked with developing mobile apps for individuals and expanding the ecosystem of SME applications.

Health and safety, promoting a healthy lifestyle

The Group has an internal team responsible for the health & safety of its employees. In 2019, there was only 1 workforce accident and zero fatalities. In 2019, a total of 8004 hours were dedicated to training employees on health and safety.

Tinkoff encourages a healthy lifestyle and supports the cultural development of its employees and society as a whole. The Group offers regular annual medical check-ups, vaccinations, voluntary health insurance, free membership of our in-house fitness gym at Tinkoff Bank's headquarters and other healthcare initiatives. We promote a healthy lifestyle among our employees and regularly hold corporate competitions in football, volleyball, basketball, alpine skiing and chess. Tinkoff plays a part regularly in the biggest and most culturally important events in Russia, related to music, sports, science and education.

In 2019, Tinkoff continued to actively support sporting events and promote action sports in Russia. Below are examples of several events.

Tinkoff Rosafest alpine ski festival 2019

More than 12,000 attendees, more than 10,000 prizes, and more than 1,600,000 online viewings of the night freestyle show.

Quiksilver NewStarCamp snow festival 2019

More than 5,000 participants. Tinkoff sponsored the construction of Russia's largest snow park for athletes and snowboarding enthusiasts. The event hosted professional freestyle competitions which were a part of Quiksilver New Star Invitational Powered by Tinkoff.

Tinkoff Moscow Open Basketball Tournament in Gorky Park 2019

More than 20,000 fans, with professional and amateur tournaments, with over 200,000 viewings

Afisha Picnic, Dikaya Myata, Stereoleto and other festivals
In 2019, Tinkoff was the general sponsor of several festivals. In the Tinkoff promo zone customers could receive increased cashback, All Airlines miles, and several other perks and gifts. In total these three festivals saw more than 90,000 visitors.

Socio-economic development

Supporting our communities

Management of the Group firmly believe in making a difference for the society in which the Group operates and for its sustainable development. We encourage our employees, customers and business partners to contribute to the quality of life of vulnerable and disadvantaged groups, and others, in Russia.

We also strive to increase awareness about different charity foundations amongst our customers who can donate easily using the Group's online financial services: internet bank or mobile app. In 2019, the number of charitable non-profit organisations customers may provide donations for increased from 168 to 294 and the number of money transfers to charitable foundations by our customers increased from 34,000 to 72,000. Tinkoff Bank does not charge a commission on these payments.

Tinkoff and its employees provide not only financial support but also practical assistance to several non-profit entities, including assisted care facilities and orphanages, as well as projects for homeless people and those in need of medical care. Below are a few examples of this support and assistance:

- More than 300 employees took part in fundraising efforts ahead of the New Year. Employees took part in the Be Useful in 2020 campaign (S polzoy v 2020), during which they raised over 346,000 rubles in favor of four charitable foundations.
- Orphans supported by the Find a Family charity foundation (Naydi Semiu) received much-needed medicines, medical examinations, special spectacles frames, therapeutic massage, as well as classes with a phlebologist and neuropsychologist.
- Children with mental illnesses supported by the Masters and Margarita social workshop received essential materials for the workshop: utensils and everything for baking, tools for modeling and drawing.

- Children with Down syndrome and mental illnesses supported by the Centre for Clinical Education (Tzentr Lechebnoy Pedagogiki) received the necessary materials for classes: developmental and educational books, albums, paint sets and felt-tip pens for drawing.
- About 40 employees went to a home near Moscow for seniors with no relatives and disabled people to wish them a Happy New Year. The employees together with their children organised a concert, sang, danced, and recited poems. Then they all played board games together and exchanged warm wishes.
- For the Old Age in Joy Foundation (Starost v radost), New Year's gifts were purchased for 67 seniors. For those bedridden, the organizations purchased much needed hygiene and medical supplies. All gifts were bought with donations from our employees.
- For the first time, in December 2019, a Charity New Year Fair was held in all of Tinkoff's Moscow offices. More than 500 employees took part in the event. 11 charitable foundations brought their New Year's souvenirs and gifts. The foundations managed to collect donations of over 350,000 rubles. In this way, we helped foundations helping orphans, seniors with no relatives, children with mental illnesses, hospices for adults and children, social workshops for disabled people and single mothers.
- From 5 April to 30 December 2019, Tinkoff was involved in a joint project with the Gift to Angel Charitable Foundation "The most important thing is to dream!" is a project aimed at socializing and motivating children with developmental disabilities. The main objective of the project is to draw people's attention to the problems of children with special developmental needs.

IMPACT AREAS

Socio-economic development (Continued)

- Gift to Angel is a charitable foundation engaged in systemic assistance to single-parent and low-income families with children with cerebral palsy and other musculoskeletal disorders. As part of a marketing campaign held on the children's channel Carousel, Tinkoff organized work with children with cerebral palsy. With the help of Tinkoff, which donated 1,380,000 rubles, the foundation was able to start producing commercials with the children supported by the foundation who were featured in a program sponsored by the Company. This cooperation was aimed at raising awareness of the foundation's work and attracting further donations. The weekly broadcasts reached 4 million people and featured a link to the foundation's website where people could make a donation.

In 2019, Tinkoff continued to provide much-needed support to 5 non-profit organisations. Altogether, 7,100,000 rubles were donated. These funds helped various socially vulnerable groups and their supporting organisations find systematic solutions to the challenges they face regularly:

- The Conjointment Charitable Foundation (So-Edinenie) helps adult deaf and blind disabled community;
- The Center for Clinical Pedagogy (Tsentr Lechebnoy Pedagogiki) is engaged in the training and rehabilitation of children with developmental disabilities (Down syndrome, autism, etc.);
- Charity Medical Center (Meditsinsky Tsentr Miloserdie) provides palliative care for terminally ill children;
- The Old Age in Joy Charity Foundation (Starost v radost) supports lonely elderly people and people with disabilities living in public institutions;

- Zhuravlik Charitable Foundation is engaged in inclusive education for children and anti-bullying programmes in Russian schools.

In 2019, the Group donated over 10 million roubles to charitable foundations.

Financial inclusion

We are always looking for ways to make our offering more inclusive. Management believe that increasing the familiarity of the Group's customer base, and society in general, with financial products, many of whom have limited experience of financial services, is important, as the Group's growth depends on increasing consumer adoption of financial services.

The Group's high-tech branchless platform gives it universal coverage of the entire country and the ability to address under-served parts of Russia, in which competition and supply of quality financial services are lower and unsatisfied demand and response rates are higher than in Moscow and St. Petersburg, the two largest markets in the country.

Although the Group is increasingly attracting significant numbers of customers in the more affluent segments, still it serves very significant volumes of customers across Russia with monthly incomes below the equivalent of USD500.

The Tinkoff Journal is one example of Tinkoff's significant efforts to increase levels of financial understanding amongst groups, which traditionally had fewer dealings with or trust in financial institutions in Russia. For over five years, 'Tinkoff Journal' has focused primarily on personal finance management, investments, interaction with banks and other consumer issues (such as loans, saving, markets, luxury

purchases, taxes, careers, retirement small business finance and real estate). Tinkoff Journal has more than 8.0 million monthly active users and 400k daily active users, and over 600 authors and contributors. In 2019, the number of unique readers of the magazine amounted to 45.5 million users. This content is deeply embedded in our mobile banking app and increasingly tailored to individual clients' needs and circumstances.

According to the DisQuestion inclusivity research conducted by Everland in the summer of 2018, Tinkoff Bank was named the most convenient Russian bank for the disabled. The research team (27 people representing various foundations, including individuals with various forms of disabilities) assessed the availability of remote and specialised services, the maturity and consistency of the approach applied to servicing this category of clients, the availability of special and customized tariffs and offers, corporate policies and personnel training.

Environment

We have reasons to believe our environmental impact and footprint is small. As the Group is an online only financial institution, the management of the Group believe none of Company's business relationships, products or services are likely to have any actual or potential significant environmental impacts. No severe environmental impacts have already materialised and the management believe its operations are not exposed to any material environmental risks.

Management, in reaching this view, have taken into account the risk of actual or potential adverse impacts that may stem from the Company's own activities as well as its business relationships including its supply and subcontracting chains. This belief is based on continuous scrutiny of the business.

As part of the Group's risk management process regard is had to many indices, surveys and models. By way of example the MSCI ESG rating model has three core pillars, environment pillar, social pillar and governance pillar. Overlaying these against management data points and the specifics of the Group, operating in the Russian context, would tend to put the greater weight on the second two pillars.

Environmental Performance Indicators

We have policies and initiatives to further reduce what we think is a small environmental impact and footprint. The Group fully complies with the laws applicable to its business activities wherever carried on and subscribes to international norms, which prohibit the provision of credit for any activities which might materially adversely impact the environment, be morally repugnant or infringe human rights. In particular the Group has

in place procedures which regulate/prohibit involvement with exploitative forms of forced or child labour, trade in weapons and munitions, gambling, casinos, prostitution, trade in regulated wildlife or wildlife products (CITES rules) and production or trade in radioactive materials or significant volumes of hazardous chemicals. Strict monitoring processes are in place which require customer contact staff to certify that any business we write conforms to these norms.

To benchmark the Group's aspirations to reduce its environmental impact, if in the future actual or potential risks of environmental impacts become material, the Group constantly upgrades its capabilities to track resource usage, looking thereby to optimize and reduce its energy efficiency, and its electricity and water consumption.

The Group occupies one newly-constructed office block in Moscow and other premises of members of the Group as well as ATM sites and marketing kiosks, and two call centres, and has launched 11 development hubs across Russia and one in Cyprus. In addition the Group has offices in Limassol, Cyprus and has a presence in Skolkovo, Moscow where it uses facilities of the Skolkovo Foundation.

All offices of the Group are intentionally sited very close to major public transport hubs, to encourage staff and visitors to use public transport.

In relation to the office premises the Group occupies in Russia and in Cyprus, the Group is generally subject to non-negotiable tenant or tenant-like covenants which greatly restrict its ability to exercise control over or even influence heat, power, water supply and water discharge arrangements. These legal and practical constraints, coupled with the centralized nature of utility provision in Russia, are major limiting factors on the Group's ability

to ameliorate any environmental impacts. Despite this, the Group is always looking to enhance its capabilities to track resource usage (materials, waste, energy, use of renewable energy, land use, air pollution) and some basic early stage results should be available in the medium term to benchmark future performance.

Tinkoff Group's believes its environmental footprint to be small considering the nature of its business. Despite this, the Group is constantly looking for opportunities to reduce its environmental footprint and to reduce its energy intensity. Among these initiatives, we can highlight:

- Collection and transfer of used batteries for recycling
- Collection and transfer of old equipment for recycling (e-waste such as PCs, telephones, POS terminals)
- Collection and transfer of plastic caps for recycling
- The decline in electricity and water usage over the last few years in spite of the increasing office space utilized by the company and the increasing number of employees. This is a result of initiatives such as turning off equipment and electricity during night times, introducing more environmentally friendly lights, etc.

IMPACT AREAS

Environment (Continued)

Year	2018*	2019*
Total sqm of office space	23,520	39,960
Total electricity consumption	2.21 million kWh	2.14 million kWh
Water consumption	2.30 thousand m3	2.16 thousand m3

* Refers to Tinkoff's Russian offices and development hubs

The Group is also looking into identifying for individual products a methodology for a life cycle assessment of the most relevant impacts.

Environmentally friendly products and services

The Tinkoff team and the World Wildlife Fund (WWF), in partnership with whom we created in 2018 the Tinkoff - WWF credit card, share common views on creating resources for nature conservation and animal welfare, as well as values associated with a socially responsible, healthy lifestyle. Tinkoff is very selective in choosing brand partners for joint banking products. It is important for us that the partner not only offers customers the highest level of service and impeccable quality of products and services, but also that they share the values of the Tinkoff ecosystem.

Tinkoff-WWF cardholders are, typically, socially responsible people who are concerned about the future of our planet. Most of them make regular donations to organizations to protect nature from climate change, participate in volunteer projects and seek to contribute to nature preservation, in-

cluding through purchases with the Tinkoff WWF card, since a portion (1% of total customer purchases) goes to fund support programs for rare species of animals and their habitats. We also launched a special promotion: when cardholders donate 900 rubles or more, Tinkoff will reimburse part of the charitable contribution back to the card (900 rubles for credit card holders and 200 rubles for debit card holders). The Tinkoff-WWF Eco-Card is made from renewable, environmentally friendly materials, is easy to process and does not pollute the environment. In 2019 alone, Tinkoff-WWF cardholders donated more than RUB 2 million through their purchases. Every year the fund reports on the work it has accomplished, and our main result is that Tinkoff clients made great contributions to the processes of development and conservation of Russia's biological and forest diversity, the principles of a green economy and climate change prevention.

Relationship with regulators and policymakers

The Company operates in a highly regulated environment. All banking and various related operations in Russia require licenses from the Central Bank of Russia (CBR) and the Group necessarily has daily contact with the CBR on many levels across the businesses and control functions.

We aim to maintain a good relationship with the CBR.

Management of the Bank are in regular dialogue with senior officials within the CBR on its initiatives and consultations and with other policy makers and banking associations in Russia. This allows the Company to get a fuller understand-

ing of the regulator's priorities and areas of concern, while allowing the Company to keep them up to date on developments in the Company's business and trends in the consumer lending markets. The Company played an active role earlier this year in helping frame the regulatory response to the COVID-19 pandemic in Russia – discussed further in this report.

Other regulators in the consumer lending space include the Consumer Protection Agency of the Russian Federation (Rosпотребнадзор) and the Federal Anti-Monopoly Service

(FAS) with which the Group has regular dealings and whose views on consumer lending and anti-competitive practices are

taken into account when the Company reviews or changes its standard documentation, practices and procedures.

In addition, Tinkoff is a member of the Russian FinTech Association, an organization founded in late 2016 on the initiative of the Central Bank of Russia and key participants in the domestic financial market. This is a unique platform for constructive dialogue between the regulator and business representatives. The goals of the association are to 1) create the conditions for digitalization of the Russian economy and 2) develop and implement new technological solutions in order to ensure the development of the financial market in Russia.

Corporate governance

Respect for human rights, upholding high ethical standards

The Company's business, and its success or failure, depend on the actions of everyone in the Group.

Management is committed to respecting human rights. Management believes it is important that every director, officer and employee follow the following standards of behaviour for which he/she will be held accountable:

- 1) To protect the Company's property and that of customers and others entrusted to the Company, including physical assets and proprietary, and/or confidential information against loss, theft, misuse and waste;
- 2) To act in the Company's best interests, act honestly, objectively and effectively, refraining from any activity that might represent or be perceived as representing a conflict of interest between personal interests and those of the Company;
- 3) To deal honestly, ethically and fairly with the Company's customers, employees and business partners, irrespective of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation;
- 4) To comply with all laws, rules and regulations applicable to the Group wherever it does business;
- 5) To refrain from giving, accepting or requesting improper gifts, gratuities or other favours;
- 6) To represent Tinkoff in a manner which enhances the Company's reputation, is law abiding and alert to the reasonable expectations of our customers, our shareholders, fellow employees, and local, national and international communities.

Management of the Group, after enquiry, have not identified any potential severe impacts on human rights to which the Tinkoff Business Model might be susceptible nor have any actual instances of human rights abuses been identified, reported or alleged.

The Group and its subsidiaries strive to maintain the highest level of general business ethics. Employees uphold the Bank's corporate culture, norms of business communication

and principles of professional ethics. These are engrained in the Tinkoff DNA (presented earlier). Employees should avoid situations that may cause damage to the business reputation of the Bank, as well as other non-material or material interests of the Group. In particular, all reasonable efforts must be made to minimize any risks the Group's customers and business partners. But minimizing the risks of clients and business partners of the Bank should not lead to the risk increase of the Group itself. All these norms are explicitly stated in the Corporate Code of Conduct and employment contracts.

The Group's business is dependent in part upon the strength of its 'Tinkoff Bank' brand and the reputation of its business. The Group operates in a consumer oriented industry where customer trust is important due to the need for public confidence in the quality of the Group's services and the security of its IT and communications systems. Management are aware that the Group could suffer damage to its reputation and brand as a result of adverse publicity from regulators, government officials or customers, though there is a high level of satisfaction among the Group's customers, or the press alleging human rights abuses. Our brand is one that a very significant number of service providers are keen to be associated with.

The Tinkoff Business Model involves extensive outsourcing of various customer service and operating functions, which helps it to retain focus on and develop its core competences with respect to the Group's main operations, to limit capital expenditures and to increase the flexibility of its cost base. The Group also outsources various business functions such as data centre management and some collections of overdue loans. While this makes the Group dependent on its outsourcing partners, and it may expose the Group to the risk that existing partners might fail to perform these outsourcing services adequately, as well as the risk of being unable to find replacement outsourcing partners if any existing partners terminate their relationships with the Group, we apply reasonable care in selecting these partners to make sure they reflect the values we believe in and stand for.

The Group's approach to its counterparties generally overlies a number of specific legal requirements under Russian law. These laws set the statutory framework within which the Group operates.

IMPACT AREAS

Corporate governance (Continued)

Anti-corruption and anti-bribery matters

The Group and its subsidiaries take bribery and corruption issues extremely seriously. The Bank has internal policies mandating that we strive to avoid bribery and corruption at all our operations. Employees of the Bank must not accept, demand or receive any gifts or remuneration in monetary or non-monetary form and help from a third person party directly or indirectly related to the performance of their official duties. In particular, due caution must be taken to avoid any expressions of seeking or accepting any help from a potential or actual business partner of the Bank. The Bank is actively concerned with clients, partners and third person parties operating under the law of the Russian Federation and outside.

In addition to the general standards of behaviour expected of every director, officer and employee of the Group, the Group has adopted certain specific policies in relation to countering corruption and bribery.

In addition, the Group has specific rules, policies and guidelines covering:

- gifts and gratuities; bribes and kickbacks;
- prohibition of fraudulent conduct and misappropriation; disciplinary procedures;
- 'whistleblowing' and reporting procedures; insider trading;
- conflicts of interest.

The official means of communications within the company are corporate slack channels and mailing lists. Each employee is encouraged to report issues to the HR mailing address. All are considered and evaluated individually in a short time. In a difficult or controversial situation, an employee can contact their

HR manager directly. The Company also conducts numerous surveys that allow the employee, including anonymously, to express their worries.

The Group does not have in place an external anonymous whistle-blower program. Tinkoff takes extremely seriously the conduct of its employees, stakeholders and counterparties and is committed to rooting out activity that might be considered illegal, unethical, or not appropriate within the Group. And on the, so far extremely rare, occasions such activity does come to management's attention it is fully investigated and appropriate changes made to our processes, organization and training to prevent any recurrence. Then too the Group considers afresh this idea to introduce a formal whistle-blowing programme. Such programmes are by no means market standard in Russia and management believe the package of measures in place is proportionate to the Company's risk profile and consistent with best practice in Russia.

Anti-Money Laundering and Anti-Terrorist Financing Legislation. Russia, as a member of the Financial Action Task Force, has developed and enacted certain anti-money laundering legislation. The Anti-Money Laundering Law follows the FATF Forty Recommendations and the FATF Special Recommendations on Terrorist Financing and provides for measures to combat money laundering in Russia to be implemented by individuals and organizations, including Russian banking institutions, involved in transactions with money and certain property.

Under the Anti-Money Laundering Law, Russian banks are required to, among many obligations: (1) establish and maintain systems of internal control ensuring that the bank and its clients are in compliance with Russian anti-money laundering legislation; (2) monitor and

record certain client transactions, as specified in the Anti-Money Laundering Law; and (3) report certain client transactions specified by the Anti-Money Laundering Law to the relevant Russian authorities. Furthermore, in certain cases Russian banks must suspend client transactions and inform the relevant Russian authorities. The current Anti-Money Laundering Law does not permit banks to suspend or freeze client transactions for longer than two business days (unless extended by the authorities).

The Federal Service on Financial Monitoring is the main governmental authority acting as its financial intelligence unit, and, together with the CBRF, exercises control over banks' compliance with the Anti-Money Laundering Law. Russian banks are obliged to report through the CBRF to the Federal Service on Financial Monitoring with respect to the types of transactions mentioned above.

Failure by Russian banks and/or their officers to comply with the requirements of the Anti-Money Laundering Law may result in the imposition of sanctions, including the revocation of a banking license (with a subsequent liquidation of the bank) and criminal penalties for individuals. The minimum standards and duties set by the Anti Money Laundering Law are just that – a minimum which we aim to far exceed. Customer identification, record keeping, suspicious activity reporting, employee training, an audit function, internal control procedures that include a refusal policy whereby the Group may refuse to conduct business with suspicious entities or individuals and rules on counteracting money laundering and terrorist financing and the designation of a compliance officer are all long standing procedures within the Group, kept under constant review and upgraded frequently.

The Anti Money Laundering Law itself constantly evolves, becomes ever more sophisticated and far-reaching. In June 2013, several amendments to the Anti-Money Laundering Law came into force.

These amendments, among other things:

- introduced the definition of the "beneficial owner" to the Anti-Money Laundering Law to extend the scope of client identification procedures;
- compel clients to provide all necessary information on their beneficial owners to banks (for the banks to comply with the provisions of the Anti-Money Laundering Law);
- set out the obligation for banks to take reasonable steps for preliminary identification of their clients' reputation, financial position and objectives of their business activity;
- oblige banks to freeze monetary funds and other assets on individuals and legal entities under certain circumstances; and
- enact additional measures to counter financing terrorism.

Further amendments to the Anti-Money Laundering Law followed in late 2015. The law extended the definition of the "client" to include concept of a "foreign structure without incorporation of a legal entity" which means a structure (such as fund, trust or partnership) entitled by law to do business without being a body corporate. Another set of amendments to the Anti-Money Laundering Law imposes new obligations on Russian legal entities to keep information on their beneficial owners and disclose such information to state authorities on request.

We expect further changes in the future.

Full compliance is essential to maintain the confidence of customers in the Group and its products and of regulators and to protect the Group's brand and reputation.

Tinkoff Bank JSC also operates under the law No. 115-FZ "On countering the legalization (laundering) of proceeds from crime and the financing of terrorism". In order to comply with the requirements of this legislation and the Bank of Russia regulations, Tinkoff Bank JSC has developed Internal Regulation Concerning the Counteraction of the Legitimization (Laundering) of the Proceeds of Crime and the Financing of Terrorism.

Responsibility towards our shareholders and potential investors

We are an organization that is geared towards creating shareholder value. Subject to building outstanding products and services that are valuable to our customers, and to respecting all our stakeholders, our organization is geared in its structures and DNA to maximize shareholder value. Tinkoff extensively implements what is defined internally as the "NPV approach". This means that all capital allocation decisions (e.g. lending decisions, launching a customer acquisition channel, determining the success of a servicing channel) are made through a rigorous approach where we attempt to maximize the net present value (NPV), calculated throughout the lifetime of the product/channel/customer relationship, and using a 30% hurdle rate. This means that decisions are made so as to maximize shareholder value. The use of a seemingly elevated 30% hurdle rate also reflects our intention to (i) generate adequate returns on capital for our shareholders; (ii) include buffers for unseen events or circumstances. We think this approach is a key differentiator for Tinkoff and key to its culture and success, as this seemingly simple yet powerful approach (1) aligns all employees' incentives with those of shareholders; (2) ensures efficient delegation throughout the organization; (3) encourages a reasonable balance between near term incentives and considerations over the lifetime of the customer relationship; (4) enables us to assess a customer relationship more holistically; (5) allows us deploy capital and grow while generating adequate profitability and returns.

Management and a growing number of employees are also directly aligned with shareholders through share-based incentive programs. Prior to its IPO in 2013, the Group set up share-based long term incentive plans as retention and motivational tools for key and senior managers.

In March 2016, the Group announced a consolidated long-term management incentive and retention plan, covering initially in total 51 key, senior and middle managers.

As of the end of 2019, 85 employees were part of the Management Long Term Incentive Program. 10 employees were added to the program in 2019. Total target size of the MLTIP pool is 5.1% of the group's share capital as at 31 December 2019. The plan is designed to align more closely managers' interests with those of shareholders to grow the Group's value. The plan is awarded over four years with each such annual award vesting over the subsequent three years. The Group believes that participation in its share capital is an effective motivation and retention tool. The new management incentive and retention plan now embraces more managers, for two main reasons: firstly, internal promotions as some employees were promoted to key managerial positions; and, secondly, as part of its expansion and transformation into a financial marketplace, the Group has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security.

CONTINUED

IMPACT AREAS

Corporate governance (Continued)

MLTIP participants	Male	Female
2016	37	11
2017	14	3
2018	9	6
2019	9	1

On 14 April 2020 the Group launched its key employees retention plan (KERP) - a new long term incentive program for 250 employees at senior and middle management level. The purpose of the program is to retain and motivate key employees with high potential. This is a performance-based cash-settled program linked to the market price of Tinkoff GDRs.

Management and key employees are incentivized by a balanced mix of near-term and long-term KPIs. As discussed earlier, the stock-based Management Long Term Incentive Program and the stock-linked Key Employees Retention Plan, together with the overarching NPV approach of the organization, ensure that management and key employees' decisions are taken with the business's long-term success in mind. That said, key employees and management also have a balanced compensation structure that is partly based on a fixed salary component and a variable salary component. This variable salary component is based in part on the overall success of the business, and in part based on achieving KPIs such as net income, customer number growth, customer satisfaction, and more specific KPIs for different parts of the business.

Tinkoff fosters an open dialogue with current, former, and prospective investors. We interact and communicate with our shareholders and potential investors in a number of ways. The Company's Investor Relations and PR teams attend many investor related seminars and conferences arranged

by third parties, and from time to time the Company itself organizes events to which investors, the financial press, members of the investment community and others are invited. In addition the Investor Relations and PR teams answer specific information requests and general inquiries from those interested in the Company's activities in calls and meetings and distribute a wide range of materials, presentations and reports relating to the Company to members of the investment community such as analysts and researchers. In 2019 meetings with investors were arranged worldwide, including all the main financial centres. The Company aims to hosts an Investor Day on an annual basis.

The Company is listed on the main market of the London Stock Exchange and, as of November 2019, on the Moscow Stock Exchange. It reports its financial results quarterly. The Company also issues public statements from time to time on acquisitions, new products, major hirings and other notable events in the Company's life.

Our shareholders particularly around the time of the annual general meeting give us useful feedback on what guided their voting: this feedback is considered in the processes that set the framework for the Company's corporate governance.

Our capital allocation and dividend policy. Despite being a high growth organization, our levels of profitability allow us to pay dividends as well. Our current dividend policy states that

we aim to pay up to 30% of IFRS net income every quarter (see our policy [here](#)). This means that every quarter the company assesses its capital position, its growth opportunities, the regulatory and economic outlook, and makes a decision as to how much of its generated capital needs to be retained. The priority for the group is NPV-positive growth, and the dividend is thus a residual: capital that is deemed to be surplus to our requirements is paid out to our shareholders subject to our dividend policy.

Governing bodies and Governance Structure

TCS Group plc has three key governing bodies:

- The TCS Group Holding Board of Directors
- The Tinkoff Bank Board of Directors
- The Tinkoff Bank Management board

Details on these bodies is presented below.

	TCS Group Holding (The Group) Board of Directors	Tinkoff Bank (The Bank) Board of Directors	Tinkoff Bank Management Board
Domicile	Cyprus	Russia	Russia
Regulator	FCA, CySec	Central Bank of Russia	Central Bank of Russia
Key functions	Creates and supervises of the operations of the internal control system of the Group	Determines strategic priorities of the Bank	Determines the Bank's asset, liability and risk management operations, policies and procedures
	Approves the Group's credit policy.	Approves capital market operations of the Bank, major related party transactions, risk and capital management strategy, and procedures for preventing conflicts of interest, HR policies, employees compensation policies, management compensation and bonuses policies.	Delegates individual risk management functions to each of the various decision making and execution bodies within the Bank's risk management structure.
	Provides leadership and oversight to the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed.	Recommends compensation of internal audit board, dividends from the Bank subsidiary to the Group.	The Chairman of the Management Board appoints members of the Finance, Credit, Technology and Business Development Committee.
	Sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives	Reviews management's performance.	The Finance Committee ensures the long-term economic effectiveness and stability of the Bank's operations.
	Sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met.	Establishes Committees (currently Audit and the Remuneration Committees).	The Credit Committee supervises and manages the Bank's credit risks.
	Declares dividends		The Technology Committee decides the development path and architecture of the IT platform deployed in the Bank, as well large IT investment decisions.
Members	Constantinos Economides (Chairman, Non-Executive)	Stanislav Bliznyuk (Chairman, SVP Business Development)	Oliver Hughes (Chairman of the Management Board)
	Martin Cocker (Independent, Non-Executive)	Svetlana Ustilovskaya (Independent)	Valeria Pavlyukova (Chief Legal Officer)
	Jacques Der Megreditchian (Independent, Non-Executive)	Oliver Hughes (Chairman of the Management Board)	Ilya Pisemsky (Chief Financial Officer)
	Maria Trimithiotou (Non-Executive)	Sergey Pirogov (Head of Corporate Finance)	Evgeny Ivashkevich (Chief Risk Officer)
	Alexios Ioannides (Non-Executive)	Vadim Stasovsky (Chief Financial Controller)	Natalya Izyumova (Chief Accountant)
		Anatoly Makeshin (Head of Payment Systems)	
		Vyacheslav Tsyganov (Chief Information Officer, candidate subject to CBR approval)	
Gender composition	80% male, 20% female	80% male, 20% female	71% male, 29% female
Relationship to other governing bodies	Appoints the Tinkoff Bank Board of Directors	Appoints and oversees Tinkoff Bank Management Board	Reports to the Tinkoff Bank Board of Directors
Meetings in 2019	10	24	44

CONTINUED

IMPACT AREAS

Corporate governance (Continued)

The Group does not discriminate in favour of or against applicants on the grounds of educational or professional background. Appointments are made on merit, against objective criteria. The Group is though subject to the requirements of regulators whose rules often prescribe particular skills, experience, independence and knowledge and/or qualifications for certain positions or bodies. The UK Corporate Governance Code for example provides that at least one member of the Audit Committee has recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the banking sector in which the Group operates.

The composition of the TCS Group Board of Directors for the year ended and as at 31 December 2019 (Philippe Delpal resigned on 16 August 2019)* is set out below:

Name	Age	Male/Female	Educational/professional background
Constantinos Economides	44	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Alexios Ioannides	43	Male	ICAEW, ICPAC, BSc in Business Administration, experience in 'Big Four' professional services firms
Mary Trimithiotou	42	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms
Martin Cocker	60	Male	ICAEW, BSc in Mathematics and Economics, experience in 'Big Four' professional services firms
Philippe Delpal	46	Male	BSc in IT, Telecoms and Economics, senior executive experience in banking industry
Jacques Der Megreditchian	60	Male	BSc in Business Administration and in Financial Analysis, banking and finance experience

The committees of the TCS Group Holding plc Board of Directors. The Audit Committee assists the Board of Directors in overseeing the integrity of the financial statements of TCS Group Holding PLC and its systems of internal control, including financial, operational, and compliance systems. It also supervises the compliance with legal and regulatory requirements and the independence and qualifications of the independent auditor, as well as the performance of the TCS Group Holding PLC's internal audit function and independent auditors. The two members of the Audit Committee are Martin Cocker (Chairman) and Jacques Der Megreditchian. The Remuneration Committee is responsible for determining and reviewing, among other matters, the remuneration of the executive directors and TCS Group Holding PLC's remuneration policies. The two members of the Remuneration Committee are Jacques Der Megreditchian (Chairman), and Martin Cocker (Chairman). For more information on our Board of Directors, please refer to our 2019 Annual Report.

Shareholding structure

TCS Group Holding PLC's shares, in the form of Global Depositary Receipts (GDRs), have been trading on the London Stock Exchange under the ticker TCS LI since October 2013.

One GDR represents an interest in one Class A Share. As at 31 March 2020, TCS Group Holding PLC's share capital consists of 119,291,268 Class A shares and 80,014,224 Class B shares. TCS Group Holding PLC's depositary bank is JPMorgan Chase Bank, N.A.

TCS Group Holding PLC had the following main investors:

Tinkov Family Trust	40.4%
Management / MLTIP	6.5%
Public investors	53.1%

Dual-class stock and protection of minorities. All class B shares are held by the founder and majority shareholder Oleg Tinkov, and these shares have 10 votes per share (as opposed to class A shares that have 1 vote per share). These class B shares give Oleg Tinkov a 40.1% economic right but 87.0% voting rights. Several structures and procedures ensure minority protection. Some of these are presented below. For more detail, please refer to our articles of association [here](#).

- Class B shares cease to have super-voting rights and convert automatically to class A shares upon sale
- All shareholders have pre-emption rights – i.e. No new shares can be issued without a separate approval of GDR holders
- No changes can be made to the Articles of Association without a separate approval of GDR holders

Cyprus Incorporation

TCS Group Holding PLC is the holding company of the Tinkoff financial supermarket in Russia. The Company was incorporated in Cyprus in late 1999, under company number HE107963.

The Group's business operations are carried on almost entirely in Russia though the Group does have offices in Cyprus where the holding company is headquartered and operates home call centre and software development businesses. The Group also has subsidiaries in Latvia and Kazakhstan.

While the investment climate in Russia and the legal framework for companies in Russia has evolved materially for the better in the two decades since the TCS Group Holding plc as a holding company started up, being a Cypriot entity has given the Company a number of benefits and advantages in comparison with being incorporated in the Russian Federation when engaging in business activities over the years. The Company has from time to time carried out reviews of the pros and cons of redomiciliation, relocation and/or restructuring the Group, but to date there has not been a clear margin of benefit in favour of leaving Cyprus. A great many of the relative benefits and advantages of Cyprus residence continue to this day. These include:

- more consistent and wider access to sources of credit through the short term funding market, bank financing as well in the longer term capital markets;
- a base in a jurisdiction with a fully exchangeable, convertible and transferable currency, as well as since 2008 part of the Eurozone;
- the benefits of freedom of movement for persons in the EU;
- since May 2004 incorporation in a member state of the EU and since 2007 the Company has adopted Cyprus as its Home State for EU regulatory, disclosure and transparency purposes;
- the ability to raise debt and equity capital in international financial markets in currencies such as USD, Euro and SEK, and using the conventional English or US law governed documentation to give our investors the legal comfort they demand;
- the ability to have English, US or Swedish law govern the arrangements between the Company and its stakeholders (lenders, investors including shareholders agreements, and business partners);
- greater flexibility in the Company's capital (equity) structure, including different classes of shares;
- the benefits of investor protection treaties with the Russian Federation;
- a base within a legal system that is more developed, more transparent and less exposed to frequent changes, all overseen by an independent judicial system with better mechanisms to enforce judgments;
- more options in obtaining insurance cover of all types;
- more protections and favourable taxation treatments afforded to intellectual property;
- easier to attract high quality independent directors.

METHODOLOGY AND MATERIALITY

This Non-financial statement is significantly influenced by, but does not claim to be in conformity with, the Communication from the Commission-Guidelines on non-financial reporting (methodology for reporting non-financial information)(2017/C 215/01). The Company has not formally applied or referenced any international or EU-based frameworks.

A number of factors are taken into account by the Company in assessing the materiality of non-financial information, and the Company applies these same factors in assessing materiality in relation to all seven elements to the disclosures stipulated in the EU Directive on non-financial and diversity disclosure.

These include:

- 1) The Company's business model, the Tinkoff Business Model;
- 2) The principal risks identified for the Tinkoff Group and published under 'Risk Factors' in the most recent Listing Particulars issued by the Group on 28th June 2019;
- 3) Management's thorough understanding of the key components of the Company's value chain;
- 4) The main sectoral issues identified by companies operating in the same sector, online financial services in the Russian Federation, while taking into account only issues that are specific to the Company's circumstances;
- 5) The information needs of relevant stakeholders as a collective group;
- 6) The impact of the Company's activities (their actual and potential severity and frequency) in the spheres of environmental matters, social and employee matters, respect for human rights, anti-corruption and bribery matters and diversity;
- 7) Public policy and regulatory drivers;
- 8) The test of financial materiality for a socially responsible business applied by the Company's external auditors and set out in the most recently published audited consolidated financial statements and prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Cyprus Companies Law, Cap. 113.
- 9) The Company reviews its materiality criteria and assessments at regular intervals taking into account the Company is a dynamic and innovative business and operating in a rapidly developing market place, to ensure that matters reported continue to be material and that all material matters are reported.

CONTACTS

Detailed below are contacts and address stakeholders including investors and investment professionals may find useful.

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More up to date information can be found at the TCS Group Holding corporate website at www.tcsgh.com.cy and www.tinkoff.ru/eng

Our program of ongoing and proactive engagement with stakeholders helps keep the Company well informed of developments in its market place, helps us develop a better understanding of stakeholders' interests and concerns, allows us to develop products and services that reflect and anticipate our customers' needs and as a two-way process, is an integral part of keeping our stakeholders informed of the Company's strategy, practices and performance

We engage with these stakeholders, on a continuing basis, in many different ways and through various channels.

All stakeholders and interested parties are encouraged to share their interests and concerns with the Company, at stakeholderengagement@tcsgh.com.cy

tinkoff.ru/eng

2019