



**INTERNATIONAL  
INVESTMENT  
BANK**



**THE INTERNATIONAL  
INVESTMENT BANK**

**COMMUNICATION ON  
PROGRESS ACHIEVED IN 2014**



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Dear colleagues and partners!

We are happy to present for your attention our first Communication on Progress (COP) achieved by the International Investment Bank in realisation of the UN Global Compact principles.

On March 2014, the International Investment Bank joined the Global Compact. This event became an important element of its comprehensive institutional reform that has transformed the Bank into a modern multilateral development institution, which carries out its activities in accordance with the best international practices and standards.

By publishing this COP, the International Investment Bank confirms its willingness to follow the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption. This document reflects our efforts in embedding those important principles into all aspects of the Bank's activities.

We intend to inform regularly the participants and other stakeholders of the UN Global Compact on the IIB's achievements in the area of sustainable development.

Faithfully yours,

A handwritten signature in black ink, appearing to read 'N. Kosov' with a stylized flourish at the end.

Nikolay Kosov  
Chairman of the Board  
International Investment Bank

## 1. About the International Investment Bank

The International Investment Bank (IIB, Bank) is a multilateral development institution that strives to promote social and economic development, national well-being and economic cooperation between its member states.

The Bank's key operating areas are SME support in its member states and financing socially important infrastructure projects.

The IIB lends primarily through leading national financial institutions, development banks and export credit banks and agencies, or in partnerships with other international development institutions.

The Bank was founded and operates under an intergovernmental Agreement Establishing the International Investment Bank and its Statute. The Agreement was signed by the Bank's member states on July 10, 1970 and registered with the UN Secretariat under registration number 11417.

The Council of the Bank is its highest authority and comprises the IIB member states' representatives. The Board is the Bank's executive body appointed by the Council. The Audit Commission performs the audit of the Bank's activities.

The Bank is an international intergovernmental institution and, therefore, enjoys tax-free status and support from governmental bodies of its member states; it is not subject to national banking regulations.

The Bank's member states are the Republic of Bulgaria, the Socialist Republic of Vietnam, the Republic of Cuba, Mongolia, the Russian Federation, the Republic of Romania, the Slovak Republic and the Czech Republic<sup>1</sup>.

Its Headquarters are in Moscow.

The Bank's equity capital reaches EUR 374 million; its paid-in capital reaches EUR 272.6 million as of November 1, 2014. In accordance with the Council's Resolution of June 6, 2013, it will be increased to EUR 341.3 million.

Since it was established, the Bank has financed over 200 investment projects in various countries and provided loans for the total amount of over EUR 7 billion. The funds were utilized for building and upgrading a variety of businesses operating in ferrous and non-ferrous industry,

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<sup>1</sup> In November 2014, Hungary submitted an application to the IIB's Council to renew its membership with the Bank. We are now expecting Hungary to perform all relevant internal procedures subject to its national legislation.

engineering, electric engineering and other industries on the territory of the Bank's member states. The IIB participated in financing joint infrastructure projects to construct large pipelines, motorways and railways.



## 2. Introducing CSR and sustainable development principles into the IIB's activities

The 2014 became the first year in the Bank's recent history, when it was carrying out its activities as a modern multilateral financial institution for development. While pursuing its mission, the IIB consistently increased the scope of its operations including those that introduced the principles of CSR and sustainable development.

The Bank's joining the United Nations Global Compact became a starting point for introducing CSR principles into the IIB's operations. The IIB, therefore, voluntarily committed to observe this initiative's 10 fundamental principles in the area of human rights protection, labor, environment and anti-corruption.

Thereby, on October 9, 2014 the Chairman of the Board approved the Bank's CSR Policy in accordance with the decision of the Board (the Policy, CSR).

Under this Policy's provisions, the Bank implements its CSR Policy in accordance with the following basic principles:

### Accountability.

The IIB acknowledges the need to publish regular reports on the impact that its activities make on society, economy and environment.

The bank sees the constructive criticism of its stakeholders as a source of improvements in its CSR activities and commits itself to reacting to such criticism, for instance, by taking measures to prevent the reoccurrence of unforeseen and involuntary negative impacts.

### Transparency.

The IIB strives to ensure the transparency of its decisions and actions that affect the society, economy and environment. The Bank aims at reasonably disclosing in an open, precise and comprehensive manner its policies, decisions and activities that it is accountable for, including their known or potential impact on the society, economy and environment

The IIB strives to provide stakeholders with an access to such information to enable them to evaluate precisely the impact of the Bank's decisions and activities on their interests.

The principle of transparency does not imply that the Bank will disclose information defined by its internal regulatory documents as classified, or the information that represents banking or trade secret.

*Ethical behavior.*

The Bank considers ethical the employee behavior that goes in line with the norms of the IIB's CSR Code approved on November 7, 2013.

*Stakeholder engagement.*

The IIB encourages stakeholder dialogue. The Bank regularly identifies, evaluates and takes on board stakeholder expectations and interests. This process roots in the analysis of relevant stakeholder information or the outcomes of stakeholder meetings or negotiations.

The Bank is open for discussions with its stakeholders with regard to any issues that are of mutual interest. The Bank provides grounds to make such a dialogue possible and strives to achieve mutually acceptable outcomes.

*Human rights observance.*

The IIB observes human rights, acknowledges the significance thereof and respects a universal nature of such rights, with it being understood that they inseparably apply to every member state of the Bank, any culture and any circumstances. The IIB takes measures to observe those rights and considers it unacceptable to take advantage of situations, when legislation or application thereof does not provide proportionate human rights protection.

When carrying out its activities, the IIB strives to promote long-term economic, environmental and social progress of its member states so that they would be able to achieve sustainable development by:

- responsible social and business practices;
- responsible environmental practices;
- responsible labour practices.

### **3. Implementing the UN Global Compact principles**

#### **3.1. In the area of human rights**

The IIB, being an international bank, operates under the principles and norms of international law, including international human rights law, which provides that all human beings are born free and equal in dignity and rights. The UN Universal Declaration of Rights 1948, The International Covenant on Civil and Political Rights 1966 and The International Covenant on Economic, Social and Cultural Rights 1966 secure these provisions.

Basing its operations upon the abovementioned international principles, standards and documents, the Bank does not tolerate any activities that violate human rights or could indirectly be a cause for such violations.

The key principles for the IIB's activities in this field are public accountability, increasing human rights awareness and education.

It has been mentioned above, that the Bank has adopted the CSR Code that provides high professional and ethical standards that govern the activities of the IIB's employees, regardless of a position they occupy. The Code's objective is to ensure that the Bank's activities and stakeholder relations are governed by the same values.

Observing the Bank's corporate values, defined by the Code, provides grounds to meet strategic goals and accomplish the IIB's mission.

The Bank's Compliance Department performs control functions over employee compliance with the provisions of the Code.

The IIB and its employees follow corporate ethics not due to fear of sanctions, but because they are convinced that these norms compose the basis for the rules of corporate conduct. Given that, the IIB's corporate ethics are balanced by a certain level of freedom, which implies that employee's personal moral principles, religious beliefs, political and social preferences enable the IIB to remain open for cultural and social diversity.

Observance of corporate ethics principles by our employees is not only one of the key factors leading to teambuilding and career growth, but also helps to strengthen the Bank's reputation as a reliable and long-term partner.

The CSR Code clearly provides that the Bank welcomes open discussions initiated by the employees with regard to any provisions of the Code, as well as joint activities aimed at amending, updating and extending it. Compliance Department, therefore, encourages direct employee discussions, especially with regard to the issues of corporate ethics.



The Bank informs its employees with regard to the issues of human rights protection and provide them with clear information on actions taken in this field.

### **3.2. In the area of labor relations**

The IIB makes every effort to make sure that its activities in the member states, particularly in the field of SME support, contribute to the realization of national programs of social and economic development, elimination of poverty and support to socially vulnerable social groups, creating new jobs, including jobs for disabled; improving health and safety conditions at work, protecting labor rights, developing human potential, promoting gender equality and mother and child protection.

Given the above, the Bank strives to specifically find and select those projects for its project portfolio that would be able to bring additional social and economic benefits to the population in question, including:

- projects that suppose the creation of new highly-efficient and safe working places, including those for people with disabilities;
- projects that are aimed at developing social infrastructure and facilitating local population's access to key services as well as supporting socially vulnerable groups of population;
- projects aimed at developing human potential.

The Bank is currently drawing up criteria for evaluating the social impact of its projects, which will be presented to the Board of the Bank in October 2015.

The IIB strives to make sure that all projects financed by the bank are subject to a compulsory preliminary evaluation of their social impact against the abovementioned criteria. The results of such evaluation will be used for decision-making purposes with regard to providing project finance.

Given the scope and nature of social impact of the projects financed by the Bank, it is planning to work out requirements for managing such impacts and monitor social risks arising in connection with projects financed by the Bank in accordance with the above criteria.

When performing its activities, the IIB strives to make sure that its products and services promote the effective enforcement of international labor law, which regulates such areas as labor protection, abolishing labor discrimination, abolishing child labor and protecting freedom of association, etc.

Since the moment, when the Bank was established in 1970, its team has always been international, and it makes us very proud of our team!

The IIB complies with high standards of international covenants and agreements, as well as recommendations of The International Labor Organization (ILO) (particularly, The ILO Declaration on Fundamental Principles and Rights at Work 1998 and The ILO Discrimination (Employment and Occupation) Convention 1958).

Neither of the Bank's divisions uses child labor, the age of those employed is over 18 years. A list of available vacancies is regularly published on the Bank's official website ([www.iib.int](http://www.iib.int)). This ensures fair access to employment to all capable candidates. Our employment process is free from gender, age, race or any other kind of discrimination that encroach on labor rights. During a recruitment process, all candidates for available vacancies in the Bank have equal opportunities. The same approach applies to both external candidates and the IIB employees.

The Bank cooperates with higher education institutions and regularly provides internship opportunities for students.

The Bank's CSR implies responsibility for its employees, creating favorable working environment and teambuilding, as well as providing opportunities for career growth. This increases employee motivation and positively affects the Bank's operations.

The IIB has adopted a Regulation on employee training and skill development. The aim of this document is to provide employees with access to systematic knowledge and skills that are necessary for achieving good results in the Bank's KPIs. Onsite trainings provide opportunities to obtain necessary communicational, administrative and self-organizing skills that increase employee confidence and competencies.

A collegiate authority operates within the Bank on a permanent basis. This is a Committee for targeted programs, which represents the Bank's multinational staff in times, when social and medical aid is distributed under social targeted programs.

The IIB's social program is a complex of measures drawn up bearing in mind best CSR practices of international and financial institutions.

Thus, the Bank's entire staff is covered with medical insurances; a number of social programs aimed at employee and members of their families' well-being and health are in place. Employees with unbroken record of service of more than 6 months enjoy full salary for the period of their temporary incapacity (not exceeding 30 working days per year). The Bank covers 50% of the employee meal expenses and operates a voluntary pension scheme.

The IIB's HR Department monitors working conditions, analyses employee feedback with regard thereof. The results received from this feedback are taken into account when drawing up or amending HR policies.



### **3.3. In the area of environmental protection**

The IIB cares for the environment and strives to reduce ecological risks when performing its activities. The Bank acknowledges the responsibilities for its direct or indirect impact on the environment.

While striving to achieve effective ecological risk management, the Policy comprises certain provisions that shape the Bank's activities.

Thus, the IIB supports efforts aimed at preventing pollution and improving the environment, effective natural resources allocation, mitigating global climate change and adapting to it through targeted search and selecting process for its portfolio of projects:

- projects in the field of energy efficiency and sustainable sources of energy;
- projects that are aimed at reducing greenhouse gas emissions and introducing new technologies in the field of mitigating global climate change and adaptation thereof;
- projects that promote cutting-edge environmental technologies in disposing of industrial and household waste; recycling projects, etc.

The Bank is currently developing a list of criteria to evaluate the ecological impact of its investment projects. These criteria will be presented to the Board in October 2015.

The IIB strives to make sure that all projects financed by the Bank are compulsorily evaluated, prior to finance disbursement, for their ecological impact against the above criteria. The results of such evaluation are used for decision-making purposes with regard to project finance.

Given the scope and nature of ecological impact made by projects financed by the Bank, the IIB plans to identify requirements for managing such impacts within projects, as well as monitor ecological risks with regard to projects financed by the Bank and in accordance with the above criteria.

When performing its activities, the IIB strives to make sure that its products and services promote the effective enforcement of international law (including international environmental legislation), which regulates environment protection and public access to ecological information, as well as its member states' ecological legislation, for the sake of the generations to come.

The IIB shares concerns with regard to preserving biological diversity and take every effort to include to its financed projects measures aimed at preserving natural habitats, wetlands, forests, including rainforests and equatorial forests, natural preserves and wildlife migration corridors.



The Bank takes every effort to promote the principles of ecologically responsible practices amongst its clients, investors, partners, counter-parties, suppliers, contractors and other stakeholders.

We intend to persistently increase our participation in international initiatives aimed at protecting environment, including joining the UNEP Finance Initiative.

*Managing our own environmental footprint*

Due to the nature of its activities, the Bank does not directly influence the environment. The main resources consumed by the Bank to ensure the operations of its headquarters are electric power, heat and water.

Following the principles of sustainable development, the IIB strives to reduce excessive energy consumption and minimize its existing negative environmental impact by introducing energy efficient technologies within its premises, reducing the consumption of water, reducing the use of office paper through introduction of e-document flow system (has been introduced since January 1, 2015) and two-side printing, reducing car emission by utilizing corporate vehicles with engines compliant with Euro4 and higher standards.

### **3.4. In the area of fighting corruption**

In order to fight corruption, the Bank has adopted a Policy on anti-money laundering and combating terrorism financing, fraud and corruption.

This document was developed on the basis of recommendations and requirements in this field provided by the Council of Europe, OECD, FATF, the Basel Committee on Banking Supervision, and the IIB's member states, as well as taking into account the best practices adopted by international financial institutions.

The Policy proclaims that the Bank does not tolerate any kind of corruption. Every employee bears responsibility to prevent corruption. It is their obligation to report cases of corruption, should they take place, to Compliance Department, which plays a key role in developing measures to prevent corruption, implementing such measures and control thereof.

Under Know Your Customer (KYC) procedures, the Bank allocates counterparty risks with regard to corruption, evaluates those risks and analyses their impact on the Bank's operations and activities. The Bank establishes relationships only with those counterparties that possess a flawless reputation.

For assessing corruption risks, the Bank deploys risk-oriented approach that includes analyzing owner reputation, their relationships with public figures, counterparty country of business registration and operations, industry, etc. The analysis is carried out on the basis of public sources and specialized databases.

The IIB acknowledges that building an effective system to fight corruption is only possible with the involvement of every employee of the Bank. Therefore, the IIB provides anti-corruption staff trainings on a regular basis. Moreover, all recently hired employees receive full-time training.

The IIB has developed and applied standard provisions with regard to key principles of fighting corruption. These provisions are included in loan and other agreements signed between the Bank and counterparties.

The IIB pays close attention to such forms of corruption as presents and entertainment expenses. There are limits for the maximum cost of gifts (or other similar services) made and received. The IIB's employees are regularly informed, which gifts they are permitted to make in accordance with the member state legislation, as well as which official may be presented with such gifts, and the requirements for the procedures of receiving/giving presents.

In order to prevent fraudulent behavior and corruption, Procedures for receiving and handling complainant reports on breaches and violations within the Bank was developed as an effective tool for receiving, analyzing and taking action resulting from information on the breaches and violations in the Bank on the part of its employees or counterparties received via all relevant channels.

Under these Procedures the IIB receives and analyses the information on breaches and violations sent via the Bank's hotline, dedicated e-mail address, dedicated 'Information on breaches' form that can be found on the Bank's website and by mail. In accordance with these Procedures, confirmed cases of corruption, findings and recommendations on each such case are reported to the Chairman of the Board.

As of March 20, 2015, there were no cases of corruption registered in the Bank.

The IIB's internal regulatory base is updated on an annual basis, taking into account changes in the legislation and new trends in fighting corruption. In order to constantly update their anti-corruption skills, the employees responsible for fighting corruption, regularly undergo trainings, participate in dedicated seminars and conferences, study best practices of leading multinational financial organizations, the legislation of the IIB member states and regulatory documents of those international organizations that coordinate the battle against corruption.

In order to make sure that anti-corruption activities are carried out properly, Department for Internal Control and an external auditor on an annual basis assess the activities performed under the provisions of the Policy on anti-money laundering and combating terrorism financing, fraud and corruption; the Audit Commission assesses the above on a semi-annual basis.



#### 4. The IIB's strategic goals for sustainable development in 2015

In order to fully harmonize its activities with the provisions of the UN Global Compact and the CSR Policy, the Bank is planning to focus its efforts in 2015 on the following sustainable development issues:

- Participation in the UN Global Compact and involvement in other international initiatives in the field of sustainable development, CSR and corporate governance;
- Developing criteria for evaluating ecological and social impact of the IIB's investment projects; analyzing practical aspects of project selection in the field of sustainable development and environmental protection.
- Developing proposals for allocating target non-financial indicators for the Bank's CSR activities as part of its annual business plan;
- Transition to financing projects developing and producing sustainable sources of energy as a new activity field;
- Studying leading international development banks' best practices in attracting long-term finance (including green bonds issuances) for targeted finance projects in the field of ecology and environmental protection;
- Organizing a series of dedicated round table discussions on implementing the decisions of the UN Global Summit 2005;
- Exchanging best practices with leading international financial institutions with the aim to consolidate the existing measures to fight corruption;
- Exploring the possibilities for the IIB to join international anti-corruption initiatives;
- Introducing new employee induction process that clarifies the provisions of the IIB CSR Code, including the prevention of all forms of corruption inclusive of blackmail and bribery;
- Developing clear criteria, forms and mechanisms for the IIB's participation in charitable activities such as various sponsored charitable events and initiatives (including volunteering);
- Providing internship opportunities within the Bank's divisions for students of higher education institutions operating in the member states for joint development of SCR strategies.

Implementing the above measures will ensure the IIB's contribution to promoting the UN Global Compact principles and will enable its clients and partners to look at the Bank from a new perspective.



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