



BANK  
FOR DEVELOPMENT

# Vnesheconombank Group Sustainability Report



2014

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## CHAIRMAN'S STATEMENT



Honorable colleagues and partners!

I am delighted to present to you the VEB Group's 2014 Sustainability Report. The report highlights the key performance results of Vnesheconombank as a national financial institution and the VEB Group's strategic priorities for operation in the new conditions the country and Vnesheconombank have faced. Obviously, today's economic climate has become tougher than ever.

Yet, with the Bank celebrating its 90th anniversary, 2014 has been a landmark year for us. In his congratulatory message, Russian President Vladimir Putin noted that throughout its history, Vnesheconombank addressed the most important challenges of social and economic development of the country and served as a key financial tool for the state.

Such high profile recognition drives us on to new goals and these have been reflected in our development strategy to 2020. However, we assume that our country will have to rise to new challenges. Our most immediate objective will be, therefore, to assist in curbing crisis developments in the Russian economy to embark on a path towards sustainable economic growth.

In this context, it becomes even more essential to increase the Bank's efficiency in such areas as real sector lending, national export support, development of import-substitution industries, aid to small and medium-sized enterprises, improving the investment climate across the regions.

Admittedly, the Bank has more than once solved most complicated tasks including those related to quick stabilisation of the banking system and financial market.

Vnesheconombank's role in the implementation of the government's bail-out measures in 2008–2009 is the most prominent of recent examples. Having successfully managed the crisis, the Bank proved its effectiveness and ability to quickly adapt to external challenges.

Today we are in a situation where western capital markets are practically closed for the leading Russian banks. That is why the Bank's role in backing the real sector with long-term finance is as vital as ever. By the end of 2014, Vnesheconombank participated in more than 190 large investment projects across all regions, primarily in infrastructure, manufacturing, agribusiness and high-tech. As a result, new manufacturing facilities including those with a focus on import substitution and innovation have been created. Moreover, high-tech projects directly contribute to rapid development of the regions, boosting employment and increasing revenues to the budgets.

Our strategic goal is to ramp up financing projects that fully comply with the priorities of our investment policy. Under the modernisation scenario of the development strategy, the Bank's loan portfolio is to nearly double by end 2020 to RUB 2.5–3 tn. Eventually, the Bank expects to considerably strengthen its positions on the real sector lending market by scaling up its share in the cumulative amount of long-term bank finance up to 11–14%.

Importantly, the Bank's strategy to 2020 places a stronger focus on green energy projects that are of high social and environmental significance, as well as on energy efficiency initiatives. It is precisely these business aspects that are viewed as a priority by most global and national development banks. Together

with the International Finance Corporation, Vnesheconombank has been working to develop a mechanism for assessing the energy efficiency potential of investment projects. Its practical implementation in lending and investment practice will help expand the Bank's role in financing the green economy.

Still another strategic objective of the Bank is to move to a fundamentally new level of export support, aid to small and medium-sized businesses and economic rehabilitation of single-industry towns. The Bank's work in these directions has already brought tangible results owing, primarily, to the integrated operation of the VEB Group's subsidiaries – specialised financial institutions, commercial banks, funds and agencies. Although operating on a standalone basis, the subsidiaries align their activities with Vnesheconombank's strategic objectives.

Joint efforts towards creating an integrated export support system have become a good example of how the VEB Group's potential can be effectively used. The VEB Group offers Russian companies and foreign buyers of non-primary products a variety of financial instruments such as loans and guarantees, insurance cover and leasing services. There has been significant progress in this area achieved, inter alia, owing to Export Insurance Agency of Russia (EXIAR), a specially established subsidiary of the VEB Group. It is worth noting that by the end of 2014, Vnesheconombank alone extended more than RUB 259 bn worth of loans to back Russian exporters.

Furthermore, the Bank actively developed a range of non-financial export aid instruments. One of them is an on-line system launched on its official website offering a 'one stop shop' service for Russian exporters, foreign importers

and organisations of the VEB Group. The system aims to facilitate access to foreign markets for Russian manufacturers, primarily for export-oriented medium-sized enterprises. The next step in this direction is to establish Russian Export Centre on Vnesheconombank's basis, which will accumulate all financial and non-financial export aid instruments available to the VEB Group, thus delivering a full-fledged 'one stop shop' service.

SME support is another important area of activity in which most organisations of the VEB Group are engaged. Our strategic goal is to reinforce the role of SMEs in boosting the economy. Primarily, this can be achieved by increasing accessibility of long-term finance for SMEs. These objectives are addressed through the SME Financial Support Programme run by Vnesheconombank's subsidiary SME Bank.

Priority areas of the Programme include support to SMEs in single-industry towns and socially and economically disadvantaged regions, as well as to industrial park residents. By the end of 2014, funds provided to SMEs under the Programme exceeded RUB 100 bn.

Looking back to 2014, we cannot forget mentioning one of the year's major highlights – the Sochi Winter Olympic Games. The Olympics were an event which people looked forward to and had high hopes for. And both organisers and athletes did a brilliant job. The outstanding show captivated a global audience and deserved the highest praise.

Sharing the nation's enthusiasm, Vnesheconombank still has another reason to be proud. In the lead-up to the Olympic Games, the Bank financed a number of complex and large-scale construction projects relating to sports, tourist, transport and energy infrastructure. Today, the constructed facilities are actively used by Sochi citizens and guests of the region which has become the biggest sports and recreational centre in Russia.

The popularity of the area with tourists and athletes gives us confidence that the Bank's investments will pay off.

The Olympic Games ended, but we have other big challenges ahead. To illustrate, 27 investment projects with Vnesheconombank's commitment over RUB 220 bn were approved in 2014. These include the 'Accommodation for Russian Families' programme to be implemented by the Residential Mortgage Agency. Some 25 mn square meters of new residential housing primarily for low-income and multi-child families are planned for construction under the programme. Another project ranking high on the list of import substitution initiatives backed by the Bank is expansion of livestock breeding facilities in Bryansk region. The project is led by Miratorg Agribusiness Holding. Of special note is the Bank's assistance for the development programme of AVTOVAZ, Russia's leading car manufacturer.

Obviously, the success of the above and many other ambitious plans depends on the sufficiency of the Bank's resource base to ensure financial sustainability. This is particularly relevant now that a number of West European countries have imposed sanctions restricting access to international capital for core Russian banks including VEB. Another point is that for the last few years the Bank has been scaling up its loan portfolio to an extent considerably exceeding the targets, which pushed it closer to the regulatory minimum of the capital adequacy ratio. In response to this, a decision was made to increase the Bank's capital.

Given Vnesheconombank's specific remit and its particular role in the crisis management, state aid measures were implemented. In particular, RUB 27.5 bn worth of the Bank of Russia's 2014 income were contributed to Vnesheconombank's authorised capital and RUB 300 bn from the National Welfare Fund were deposited on its accounts. These funds may only be used where strict qualifying conditions are met. The resources from the National

Welfare Fund are earmarked to finance projects of national importance subject to approval by Vnesheconombank's Supervisory Board.

Tapping national finance sources, the Bank also seeks to expand its cooperation with Asia and Middle East to get an access to their capital markets. In this context, Vnesheconombank's chairing the BRICS and SCO interbank associations plays an even greater role. The Bank has long-standing ties with development institutions of these countries and mutual plans for strengthening trade and economic relations.

The groundbreaking outcome of BRICS cooperation is a decision to establish the New Development Bank (NDB) with Brazil, Russia, India, China and South Africa as the founders. NDB sees its main objectives in financing long-term infrastructure and sustainable development projects. In the future, NDB is expected to add a new dimension to the BRICS cooperation.

Importantly, Vnesheconombank has always been open for cooperation and willing to work towards mutually beneficial solutions. We look forward with optimism and hope for a further constructive dialogue with our business partners. Such policies guarantee that Vnesheconombank will successfully achieve its objectives and, ultimately, contribute to the national economic growth, a rise in living standards and environmental sustainability. Building on our experience and international best practices, we will do whatever it takes to ensure progressive development of our country as part of the international community.



Vladimir Dmitriev

## ABOUT THE REPORT

G4-18 ▶

This Vnesheconombank Group Sustainability Report 2014 (the 'Report') has been prepared in line with the G4 Sustainability Reporting Guidelines (in accordance – Core) and Financial Services Sector Supplement of the Global Reporting Initiative (GRI). The Report discusses Vnesheconombank Group performance in achieving the UN Global Compact's principles on human rights, labour, environment and anti-corruption.

The Report has been prepared using the AA 1000 series of standards and content elements of the International Integrated Reporting Standard, as well as in line with the Regulations on Vnesheconombank Group's Sustainability Report as approved by Vnesheconombank's Order No. 630 of 8 July 2014 (the 'Regulations').

For the purposes of this Report, Vnesheconombank Group includes Vnesheconombank and Vnesheconombank's subsidiaries operating to implement specific provisions of Federal Law No. 82-FZ 'On Bank for Development' dated 17 May 2007<sup>1</sup>:

- / JSC Russian Bank for Small and Medium Enterprises Support ('SME Bank');
- / GLOBEX Commercial Bank, Joint Stock Company ('Globexbank');
- / OJSC AKB Sviaz-Bank ('Sviaz-Bank');

- / Bank BelVEB OJSC ('BelVEB');
- / PSC Prominvestbank ('Prominvestbank');
- / OJSC VEB-Leasing ('VEB-Leasing');
- / JSC Russian Agency for Export Credit and Investment Insurance ('EXIAR');
- / LLC VEB Engineering ('VEB Engineering');
- / LLC Investment Company of Vnesheconombank 'VEB Capital' ('VEB Capital');
- / JSC Federal Centre for Project Finance ('FCPF');
- / Russian Direct Investment Fund ('RDIF') managed by LLC RDIF Management Company;
- / North Caucasus Development Corporation ('NCDC');
- / The Far East and Baikal Region Development Fund;
- / VEB Innovations Fund;
- / VEB Asia Limited ('VEB Asia').

<sup>1</sup> The definition of 'Vnesheconombank Group' does not match either the definition of 'bank group' or 'financial and industrial group' under Russian laws, or the definition

of 'Vnesheconombank Group' in financial statements prepared under the Russian Accounting Standards and the International Financial Reporting Standards.



G4-23 ▶

The Report's boundaries have been changed as compared to the previous reporting period. Now, the Report also discloses performance of VEB Asia that joined Vnesheconombank Group in April 2013. The Report does not disclose performance by [Eximbank of Russia](#) as in November 2014 100% equity less 1 share of Eximbank of Russia were divested to EXIAR. Quantitative data for 2012–2013 is shown in the Report within the reporting boundaries of previous periods.

When determining the Report's scope, we used GRI Guidelines and followed best non-financial reporting practices of Russian and foreign development institutions.

As part of the Report's drafting, we held a public hearing on the Report's concept. The exercise involved a survey of internal and external stakeholders of Vnesheconombank Group, the results of which were used to map out key topics and define the boundaries of GRI Material Aspects. [‘The Stakeholder Engagement’](#) section provides more details on how we interacted with stakeholders when drafting the Report, defined the Report's scope, and chose key topics and boundaries of Material Aspects under GRI Guidelines.

The public hearing on the Report's concept helped us determine the Report's key focus, i.e. realisation of Vnesheconombank's functions as the national financial institution for development in a turbulent international political and economic context. The Report takes into account stakeholders' suggestions to specifically focus on embedding responsible financing principles into the Bank's investment lending operations, supporting environmentally significant projects and disclosing financial performance of Vnesheconombank Group.

In line with the Regulations, the Report has been audited by the Internal Control Service of Vnesheconombank and corroborated by an independent auditor, LLC Ernst & Young – Valuation and Advisory Services (EY) (see [Appendix 11](#)). The Report has also been assured by the Non-Financial Reporting Council of the RUIE (see [Appendix 12](#)) and GRI Materiality Disclosures Service (see [Appendix 1](#)).

The report has been examined by the Management Board of Vnesheconombank (04.08.2015) and approved by Order (№ 800) of Vnesheconombank (27.08.2015).

# Vnesheconombank Group: Key Highlights 2014

January



The 'Financial Support to Russian Exports' portal is launched on Vnesheconombank's website

September



Vnesheconombank and the Government of the Samara Region sign a joint action plan for integrated territorial development of the Samara Region in 2014–2019

March



Exports and Foreign Economic Strategy Committee is created within the Supervisory Board of Vnesheconombank

October



The Foundation for Development of Single-Industry Towns is set up with support from Vnesheconombank

April



Vnesheconombank hosts the 37th annual meeting of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in Moscow

November



Vnesheconombank approves its Development Strategy for 2015–2020



Bank BelVEB OJSC approves its Corporate Social Responsibility Strategy for 2014–2015



100% equity less one share of Eximbank of Russia is transferred to EXIAR to set up a credit and insurance export support centre of competence within Vnesheconombank Group



Vnesheconombank approves its Corporate Code of Ethics and Business Conduct

May



An official opening ceremony of VEB Asia is launched in Hong Kong

December



The Russian Ministry of Finance makes a RUB 30 bn asset contribution to Vnesheconombank's authorised capital

## Vnesheconombank Group: Corporate Social Responsibility and Sustainable Development Awards in 2014



- Vnesheconombank was given an honorary diploma for its contribution to promoting sustainability and responsible financing practices at an award ceremony held by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), European Organisation for Sustainable Development (EOSD) and World Federation of Development Financing Institutions (WFDFI). The award was given to a project for renovation and construction of small hydro power plants in the Republic of Karelia financed by the Bank



- Vnesheconombank was ranked No. 1 for 'High Transparency' in procurement in the National Procurement Transparency Rating of customers operating under Federal Law No. 223-FZ



- Vnesheconombank Group Sustainability Report 2013 won the highest ('platinum') award in the 'Conglomerates, Holding Companies, Diversified Investors' category at Vision Awards 2013/2014, an international annual report award organised by the League of American Communications Professionals
- BelVEB's Sustainable Development Report 2012 won the first prize at the 'Brand of the Year 2013' award in the 'Socially Responsible Brand' category



- Vnesheconombank's project 'A Set of Annual Sustainable Development Investments Conferences' was named among Top 30 projects of the 'Best Social Projects of Russia' National Programme
- Its educational project 'Vnesheconombank's Youth Club' won a prize at 'Creating the Future', Russia's First Nationwide Competition for best employer practices of work with children, youth and young talents
- BelVEB's 'Kamyantsa' Ethnic Festival project received an award of the 'Ideya' International Socio-Economic Foundation as the 'Best CSR Project. Culture'

# 01

Vnesheconombank  
Group Today





## 1.1 PRIORITY BUSINESS LINES OF VNESHECONOMBANK GROUP

*Vnesheconombank is a national development bank that seeks to implement the national social and economic policy, upgrade the country's economy and make it more competitive through sustainable development. Our operations are driven by the national interests of the country and work towards a wide range of goals to set the stage for long-term sustainable growth of the Russian economy, and improvements in environment and living standards.*

Vnesheconombank's special status, mission and mandate are set out in Federal Law No. 82 'On Bank for Development' dated 17 May 2007. The Bank focuses on investments that have a strong socio-economic and multiplier effect. In our investment operations, we do not seek to compete against commercial lending institutions, but only get involved in those projects that do not make much commercial sense for private investors.

At the same time, we are carrying out a variety of breakthrough functions to improve the country's financial climate. They include promoting the innovative segment of small and medium-sized enterprises, supporting Russian high-tech exports and contributing to foster the market of public private partnership projects.

The scope of our interests is directly driven by the country's priority goals. Therefore, during this challenging period for the Russian economy, Vnesheconombank, apart from functioning as a development institution, is also directly involved in the deployment of a crisis management programme

run by the Russian Government that seeks to eventually steer the country to a new sustainable growth path.

We are guided in our operations by the break-even principle. Despite the adverse impact of sanctions imposed by a number of foreign nations on Vnesheconombank in 2014 and the challenging financial market conditions, we were able to raise considerable long-term resources in both the domestic and international capital markets. This makes our social and economic performance more efficient as compared to direct public investments.

Fostering relations with international development institutions is among our central focus areas. By engaging with major international associations of financial institutions, the Bank facilitates the global representation of Russia while promoting the interests of the Russian financial sector in the discussion of international business standards.

Vnesheconombank Group was set up to help Vnesheconombank carry out its functions of a development institution in a better way. The Group includes specialised financial vehicles and commercial banks operating across Russia, Belarus

and Ukraine. The Bank's strategic goal with respect to the Group is to unlock the potential and opportunities offered by its subsidiaries towards a more competitive and diversified national economy while encouraging investment activity.

#### Our vision of Vnesheconombank's growth outlooks for 2015–2020

- / A key long-term lender to the national economy
- / A leading organisation in terms of expertise and financing to major public investment projects and programmes for development of Russian industries and regions
- / A centre of financial and guarantee support to national non-commodity exports
- / A parent organisation for implementing the public programme for support to SME
- / A public managing company for trust management of pension savings and payout reserves
- / A debt agent for the Russian Government
- / A financially stable entity
- / An organisation driven by sustainable development and responsible financing principles
- / A strategically oriented, transparent and socially responsible entity

## Vnesheconombank: Major Outcomes

Since **2007**,

Vnesheconombank has been acting as the national bank for development

The development bank's loan portfolio:

**1,360** RUB bn

Vnesheconombank's headcount:

**2,095** employees

In 2014, Vnesheconombank marked its 90th anniversary

### Territorial development

Vnesheconombank has signed

**58** agreements

on cooperation with Russian regions and

**5** plans

of joint actions on integrated territorial development

### Support to single-industry towns

Our single-industry town portfolio includes

**37** projects

with a total value of

**641.4** RUB bn

and with the Bank's commitment of

**383.4** RUB bn



### Affordable housing

Mortgage loans issued under Vnesheconombank's programme for investment in affordable housing construction and mortgage loans:

**>300** RUB bn

Homes acquired and under construction under the programme:

**4** mn sq m

### Support to SME

**497** RUB bn

were issued to

**50,000**

small- and medium-sized enterprises

as part of the Bank's SME support programme

**>90%**

loans issued to SME have maturities exceeding 2 years, with the annual interest rate averaging

**12.73%**

Under the programme, we provide support to SMEs in

**81** Russian regions,

including in

**171** single-industry towns

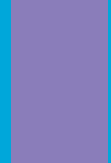
### Support to exports

Support to exports (RUB bn as of the year end)

**259.86**

**122.1**

**62.57**



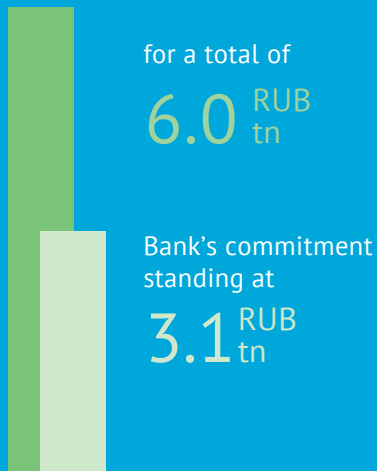
2012

2013

2014



Since 2007, Vnesheconombank has approved its involvement in the financing of 320 projects



These projects have already created more than **55** thousand new jobs



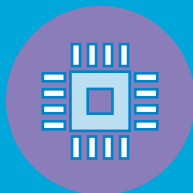
Budgetary effect has exceeded **454** RUB bn

The project portfolio approved by Vnesheconombank's management comprises



**45**

environmental stewardship and energy efficiency projects with a total value of **1.6** RUB tn



**51**

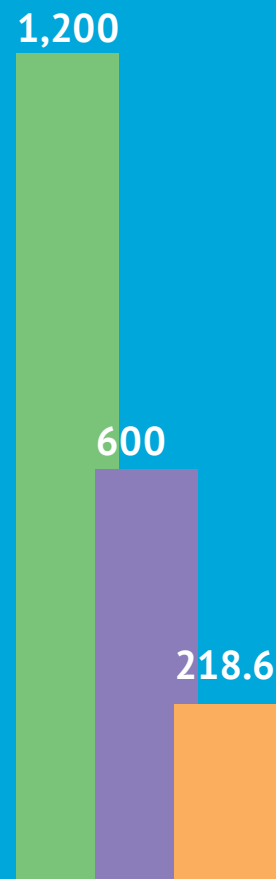
innovative growth projects with a total value of **1.3** RUB tn



**29**

agricultural development projects with a total value of **270.2** RUB bn

Bank's commitments (RUB bn)



## Vnesheconombank Group's Entities: Major Outcomes



### Regional Development

#### North Caucasus Development Corporation

NCDC is a key development institution in the North Caucasian Federal District that implements major investment projects in the region and makes the region more attractive for investors.

In 2014, NCDC's portfolio included

**6** investment projects

with

**6.8** RUB bn

committed by NCDC



2010



Yessentuki



RUB 7,600 mn



49



100%

#### The Far East and Baikal Region Development Fund

The Fund focuses on ensuring accelerated development of the macroregion in procuring and implementing industrial, transport and utility infrastructure projects.

As at the end of 2014, the Fund considered the possibility of getting involved in

**28** investment projects

for a total of

**>430** RUB bn



2011



Moscow



RUB 15,500 mn



39



100%

#### Federal Centre for Project Finance

In 2014, FCPF proceeded to the procurement of

**12** new projects

As at the end of 2014, FCPF's new investments amounted to RUB 1.4 bn. In total, FCPF approved RUB 4.3 bn of commitments to finance the project procurement



2010



Moscow



RUB 4,927.8 mn



78



100%



Joined Vnesheconombank Group



Head office location



Authorised capital



Headcount



Vnesheconombank's share



## Support to Exports

### Russian Agency for Export Credit and Investment Insurance

EXIAR focuses on increasing support to Russian exports and ensuring maximum access to insurance support for various groups of Russian businesses.

In 2014, EXIAR supported exports for

**3.9** USD  
bn

including USD 43.8 bn in the SME segment. In 2014, Vnesheconombank acquired a follow-on offering of EXIAR's shares, which increased the Agency's capital by RUB 1,376 bn



2011



Moscow



RUB  
31,376 mn



98



100%



## Raising Foreign Investments

### Russian Direct Investment Fund

RDIF aims at attracting foreign direct investments into the Russian economy and boosting business activity in the country. In 2014, RDIF launched two nationally significant large-scale projects involving financing from the National Wealth Fund: 'Bridging the Digital Divide', a joint project with Rostelecom seeking to expand Internet coverage to smaller communities across Russia, and 'Smart Networks', a joint project with Rosseti aimed at making the country's electric power system more efficient



2011



Moscow



RUB  
300 mn



154



100%

### VEB Asia

VEB Asia was set up to engage investors from the Asian Pacific Region in the financing of ambitious projects across Russia and to expand access by Russian issuers to the stock market of Hong Kong. During the first year of its operation, the company focused on fostering partnerships with public and business organisations of the Asian Pacific Region, including by signing agreements on joint implementation of high-potential projects



2013



Hong Kong



USD  
30 mn



5



100%

## Vnesheconombank Group's Entities: Major Outcomes



### Support to SMEs

#### SME Bank

SME Bank acts for Vnesheconombank to implement the programme for support to the SME sector and also provides guarantee support to medium-sized enterprises. SME Bank strategically focuses on financing non-trade, including innovative, SMEs.

In 2014, the bank lent

**62.6** RUB  
bn

to innovative SMEs, which represents 63% of the total amount of support to SMEs under the programme. In 2014, Vnesheconombank increased SME Bank's capital by RUB 2.06 bn



2007



Moscow



RUB  
19.2 bn



390



100%



### Promoting the Lease Services Market

#### VEB-Leasing

VEB-Leasing seeks to provide additional support to the economy by promoting the lease services market. In 2014, VEB-Leasing retained its lead in the Russian market in terms of lease volumes and in terms of new business, including those in the SME segment. As at the end of 2014, the amount of the company's gross investments in lease was

**502.7** RUB  
bn

including RUB 45.1 bn in the SME segment.

In 2014, VEB-Leasing received a government subsidy of RUB 592.2 mn



2008



Moscow



RUB  
8.17 mn



1,523



84.63%



Joined  
Vnesheconombank  
Group



Head office  
location



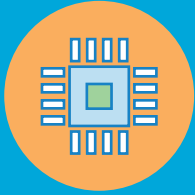
Authorised  
capital



Headcount



Vnesheconombank's  
share



## Supporting Innovations

### VEB Innovations Fund

VEB Innovations Fund supports innovative growth and modernisation of the Russian economy, mainly as part of financial support to the Skolkovo Foundation's projects.

In 2014, VEB Innovations Fund financed

**7** projects of

the Skolkovo Foundation for a total of RUB 593.7 mn, with VEB Innovations Fund's commitment coming at

**206.7** RUB  
mn



2011



Moscow



RUB  
0.872 mn



16



100%



## Evaluating and Monitoring Investment Projects

### VEB Engineering

VEB Engineering offers engineering and consulting services to support investment projects of Vnesheconombank and other major investors operating in key sectors of the Russian economy. In 2014, VEB Engineering's revenue from project support amounted to

**240.2** RUB  
mn



2010



Moscow



RUB  
147.98 mn



47



100%



## Managing Distressed and Non-Core Assets

### VEB Capital

VEB Capital manages distressed and non-core assets of Vnesheconombank Group to increase their market value and recover relevant investments. The company also acted as an agent to implement Vnesheconombank's Programme of Investment in Affordable Housing Construction and Mortgage Loans in 2010–2013, with all obligations under the Programme successfully discharged in 2014



2009



Moscow



RUB  
10,361 mn



57



100%

## Vnesheconombank Group's Entities: Major Outcomes

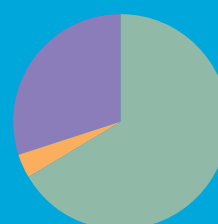


### Universal Russian Banks

Russian subsidiary banks whose control stakes Vnesheconombank acquired during the financial crisis of 2008–2010 to increase their market value, subsequently exit from them and recover the government's turnaround investments

### Sviaz-Bank

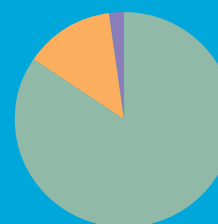
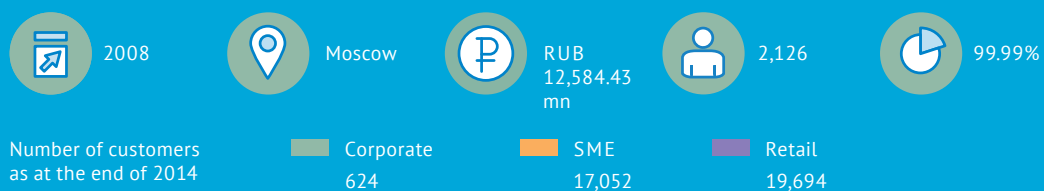
Sviaz-Bank is consistently on the list of Top 30 Russian banks, ranking 26th in terms of assets, 21st in terms of corporate loans and 16th in terms of corporate deposits. In 2014, the bank substantially improved its positions in retail business by moving from the 34th to the 25th position in terms of loan size, and from the 57th to the 50th position in terms of funds raised. In 2014, the bank also ranked third in terms of loans issued under the 'Military Mortgage Loans' programme. In 2014, Vnesheconombank also increased Sviaz-Bank's share capital by RUB 10 bn



Loan portfolio value breakdown by type of customers (RUB bn)

### Globexbank

Globexbank ranks among Top 30 Russian banks. In 2014, the bank was 28th by assets, 25th by equity and 20th by corporate loans. In 2014, Vnesheconombank issued a RUB 5 bn subordinate loan to Globexbank to increase its capital



Loan portfolio value breakdown by type of customers (RUB bn)



Joined Vnesheconombank Group



Head office location



Authorised capital



Headcount



Vnesheconombank's share



## Universal Foreign Banks

Our foreign subsidiary banks operate to reinforce economic relations between Russia, Belarus and Ukraine

## BelVEB

In 2014, BelVEB ranked 5th among Belarusian banks by assets and equity, 7th by customer deposits and 5th by capital. In 2014, the share of Russian-Belarusian integration projects in the total funding of corporate customers by BelVEB stood at 43.1%, or considerably above targets



2007

Number of customers as at the end of 2014



Minsk (Republic of Belarus)

Corporate  
340



RUB  
22,053.94 mn

SME  
22,813

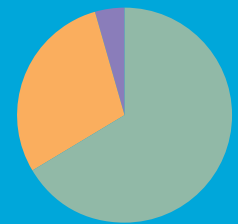


2,335

Retail  
353,805



97.52%



Loan portfolio value breakdown by type of customers (RUB bn)

Corporate 54.2 (66.6%)  
SME 23.8 (29.2%)  
Retail 3.4 (4.2%)

## Prominvestbank

Prominvestbank is among the eight banks that substantially influence the stability of the Ukrainian banking system. Despite the tough economic situation, its net operating income for the year ended 2014 amounted to RUB 5 bn, which is significantly above targets. In 2014, the bank primarily focused on retaining its liquidity and supporting its customer operations to the full extent. Further strategic objectives of the bank will be revised once the Ukrainian political crisis is resolved. In 2014, Vnesheconombank injected an equivalent of USD 280 mn into Prominvestbank's capital and also opened a revolving credit facility with a RUB 15 bn debt limit



2009

Number of customers as at the end of 2014



Kiev (Ukraine)

Corporate  
3,135



RUB  
29,223.51 mn

SME  
5,635

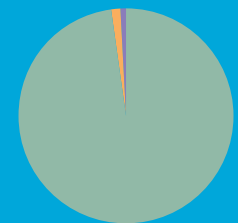


2,987

Retail  
451,954



98.6%



Loan portfolio value breakdown by type of customers (RUB bn)

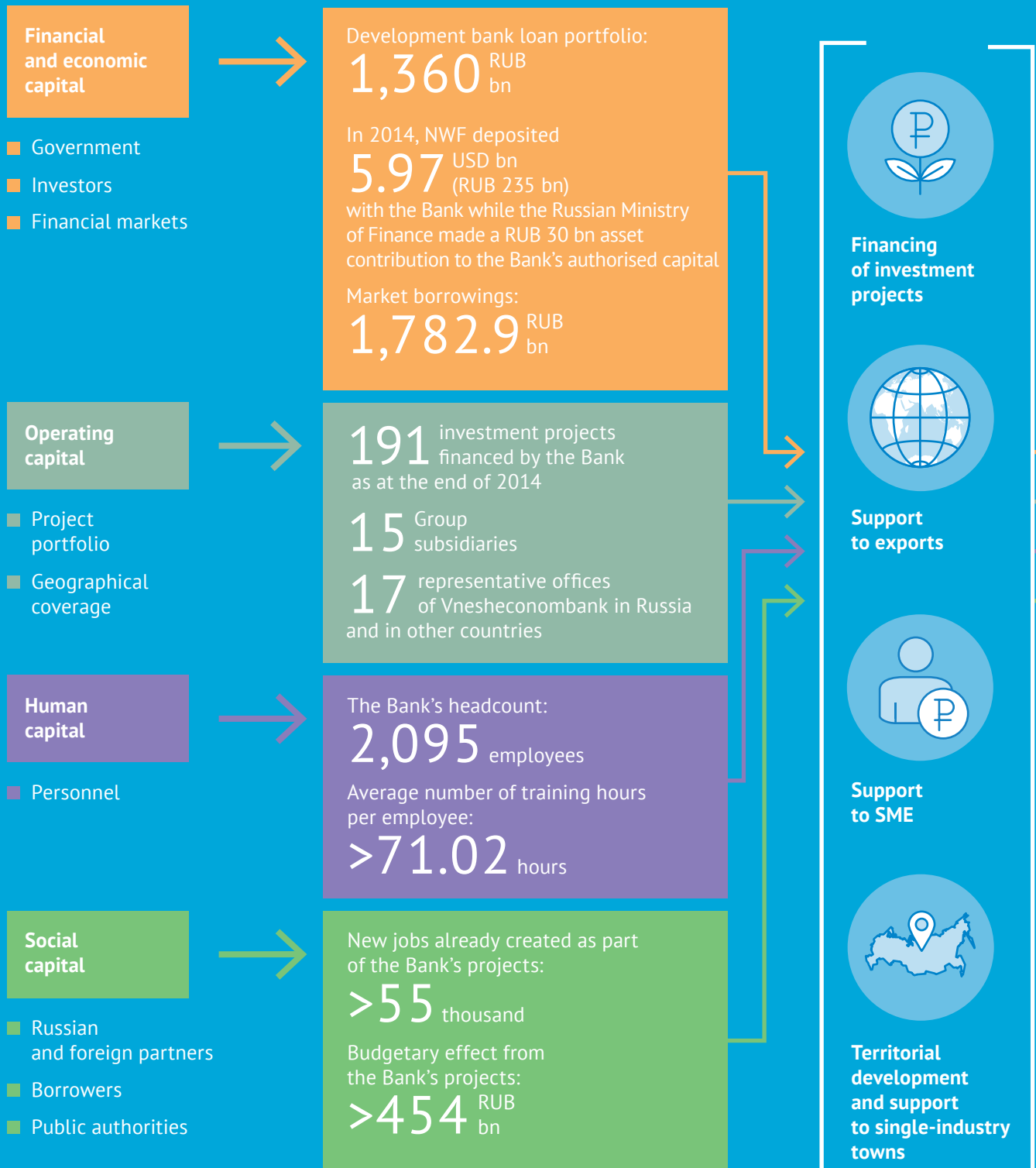
Corporate 156.0 (98.9%)  
SME 1.3 (0.8%)  
Retail 0.4 (0.3%)

# Vnesheconombank's Business Model

## Resources

## Key parameters

## Operations





**Targets by late 2020 in line with the strategy (modernisation scenario)**

Loan portfolio:  
**3,000** RUB  
bn

The Bank's total requirement for capital increase is estimated to be  
**150–310** RUB  
bn  
until the end of 2020

Total market debt  
as at the end of 2020:  
**1.4–1.7** RUB  
tn

Development bank loan portfolio:  
**1,400–1,680** RUB  
bn

Financial support to SME:  
**225–265** RUB  
bn

Support to export:  
**750** RUB  
bn

Introduction and development of HR corporate practices and standards

Support to the Russian economy:  
**4.5%** of GDP

**Major outcomes of 2014**

**Section 1**  
Vnesheconombank's Group Today

**Section 4**  
Improving the Investment Climate

**Section 1**  
Vnesheconombank's Group Today

**Section 2**  
Investing in Development

**Section 3**  
Development of Economic Potential

**Section 5**  
Investing in the Community

**Section 7**  
Corporate Life

**Section 2**  
Investing in Development

**Section 3**  
Development of Economic Potential

**Section 4**  
Improving the Investment Climate

**Section 6**  
Corporate Governance

## 1.2 STRATEGIC DEVELOPMENT PRIORITIES

*The approval of a new development strategy for 2015–2020 was the central event of 2014 that guided further operation of Vnesheconombank. As part of the strategy, we are planning to maintain our focus on building up the financing of the real economy sector that is in dire need of long-term investments. The Bank's involvement in ambitious national projects seeks to provide the conditions for the Russian economy to enter a stable development path as soon as possible and to set the stage for future growth.*

The modernisation scenario of Vnesheconombank's Development Strategy for 2015–2020 provides for a twofold increase in the loan portfolio to RUB 2.5–3.0 tn by the end of 2020.

Before 2014, Vnesheconombank's Development Strategy for 2011–2015 was carried out in a rather favourable macroeconomic context, which facilitated a rapid growth of the development bank's loan portfolio, a higher share of innovative projects in the portfolio and stronger support to exports. As a result, most targets set out in the strategy were achieved as early as in 2013.

In 2014, we had to face new challenges and risks associated with a worsening geopolitical situation, stronger inflation processes and constrained access to debt markets. With the negative trends in the Russian economy getting stronger and the targets of the 2011–2015 strategy achieved ahead of schedule, we needed

to work out a new development strategy for the Bank. In preparing the strategy, we were guided by the key parameters of the forecast of social and economic development of the Russian Federation for 2015 and the planning period of 2016 and 2017, as well as a forecast of long-term social and economic development of the Russian Federation for the period until 2030 prepared by the Russian Ministry of Economic Development.

The Development Strategy for 2015–2020 implies a stronger role of Vnesheconombank as a long-term creditor to the national economy in the context of its being shut off global capital markets while facing cash outflow and a liquidity drop in the banking sector. Therefore, the Bank sees its strategic goal in increasing its financial support to the government's priority investment projects while maintaining a high-quality loan portfolio.

In preparing our loan portfolio, we are applying a new approach that breaks the portfolio down into development bank projects and special projects

of national importance. Specific tasks for the special projects are outlined in resolutions of Vnesheconombank's Supervisory Board. They are funded on principles other than those used for development bank projects to maintain the quality and target structure of our loan portfolio.

The strategy includes two development scenarios: modernisation and conservative, differing in the loan portfolio growth rates, amount of government support and borrowings in the debt market.

We are currently planning to follow the modernisation development scenario that assumes a considerably stronger role of the Bank in the financing of ambitious investment projects, including innovative, import substitution and infrastructure development projects. With access to debt markets being constrained, the success of the modernisation scenario will hinge on the scale of capital increase and government funding of the Bank.

#### Strategic performance targets of Vnesheconombank until 2020 (as of the year end, RUB bn)

Item	Actual			Strategic target by the end of 2020	
	2012	2013	2014	Modernisation scenario	Conservative scenario
<b>The Bank loan portfolio</b>	720.2	974.6	1,360	2,500–3,000	1,800–2,000
<b>Loans issued to SME</b>	82.9	96.1	100.89	225–265	125
<b>Support to exports</b>	62.57	122.1	259.9	750	365
/ loan portfolio to support exports (as part of the Bank loan portfolio)	14.64	22.5 <sup>2</sup>	53.4 <sup>3</sup>	500	115
/ guarantee portfolio	47.93	99.6	206.5	250	250

<sup>2</sup> Including RUB 0.2 bn from credit institutions.

<sup>3</sup> Including RUB 1.52 bn from credit institutions.

# Implementation of Vnesheconombank's Development Strategy for 2015–2020 under the Modernisation Scenario

## Global risks

- Unstable global economic growth
- Risk of a new crisis wave
- Risks of financial instability in major global economies
- Persistent challenging economic situation and volatility in global financial markets
- Implications of geopolitical conflicts for external economic relations
- Uncertain trends in global oil prices

## Country challenges

- Risk that lower economic growth rates will slow down investment rates; recession risk
- Risk of stronger capital outflow
- Risk of national currency depreciation due to high inflation expectations

## Tools

Setting up the resource base

Loans and investments

Potential of the Group's entities

Fostering international relations

Maintaining and supporting the Bank's operations

## Cementing the Bank's positions in the market of long-term bank lending to the real economy sector of Russia. By the end of 2020, the Bank is planning to achieve the following results

- The share of the loan portfolio in total bank loans may grow to 5–6%
- The share of the loan portfolio in long-term bank loans (maturing within three years) will grow to 11–14%
- The Bank's input in the funding of investments in capital assets in the Russian economy is expected to be from 1.7 to 2.3%
- Export loan portfolio: RUB 500 bn
- Export guarantee portfolio: RUB 250 bn
- Financial support to SME: RUB 225–265 bn
- Support to the national economy by Vnesheconombank Group, including subordinate loans, increase in leasing, and loans from subsidiary banks, will rise from 3.2% GDP in 2013 to 4.5% GDP in 2020

The new strategy of the Bank is driven by integration of sustainability principles and best CSR practices

Building up investment in green projects

Getting involved in the discussion of new and development of existing UN initiatives

## Industry challenges

- Risk of changes in the terms of loan repayments in nationally important projects
- Risk of constrained supply and growing cost of long-term domestic debt
- Liquidity drop in the banking sector caused by the key interest rate hike and risk of lower government support to the banking sector in case of stricter budget constraints
- Restricted access by a number of Russian companies and banks to international debt due to sanctions
- Risk of constrained export opportunities due to sanctions in a number of industries across a number of exporters and individual defence industry businesses

## Sanction-related risks for the Bank

- Risk of a lower credit rating of the Bank in the mid-term
- Growing cost of external debt
- Risk of default on obligations to foreign investors
- Risk of decrease in the Bank's borrowings due to funding shortages
- Risk of default by Vnesheconombank Group on the exports support roadmap due to lower demand for Russian products and funding shortages across the Group
- Weaker financial condition of borrowers that were exposed to economic sanctions

## The expected results of the strategy implementation will prompt qualitative changes in the social and economic development of Russia

- Modernising and renovating capital assets in the real sector to make domestic products more competitive
- Increasing lending and investment support to Russian innovative sectors
- Increasing national exports and the share of knowledge-intensive industrial products
- Actively promoting import substitution
- Addressing infrastructural constraints for economic growth
- Developing public private partnership mechanisms
- Creating more highly productive jobs, including in depressive and remote regions and single-industry towns
- Building up environmental investments (green projects; alternative energy; better energy efficiency)

## Key targets by 2020

Loan portfolio:  
**3,000** RUB  
bn

Support to the economy:  
**4.5%** GDP

Support to exports:  
**750** RUB  
bn

Financial support to SMEs:  
**265** RUB  
bn

Integrating OECD principles in the Bank's operations

Embedding sustainability principles into the Bank's key business processes

Embedding a scorecard to evaluate sustainability and CSR performance

Under the modernisation development scenario, Vnesheconombank's strategic goals for 2015–2020 are the following:

- / increase lending to investment projects (primarily in infrastructure and knowledge-intensive sectors) while maintaining the required quality of the loan portfolio and capital ratio;
- / build up loans to export projects, including support for supplies of Russian high-tech products to foreign markets;
- / increase access to financing for small- and medium-sized enterprises and assist in setting up the infrastructure to support SMEs;
- / encourage balanced socio-economic development in Russian regions and foster a more diversified economy in single-industry towns;
- / keep growing the investment portfolio managed by the State Management Company and support its growth;
- / retain the status of a debt agent of the Russian Government;
- / cut down the costs of and increase the amount of the Bank's resources, including by attracting substantial government subsidies;
- / keep the Bank financially stable;
- / improve the Bank's business processes to streamline its operations and cut down its costs;
- / develop the IT infrastructure and improve the management of the Bank's IT operations;
- / improve the personnel management system;

- / integrate sustainability and responsible financing principles and best corporate social responsibility practices into the Bank's operations;
- / improve the corporate governance system of Vnesheconombank Group.

Vnesheconombank's Development Strategy for 2015–2020 provides for further integration of sustainability principles and best corporate social responsibility (CSR) practices into the Bank's operations, among other things, by improving business processes, including corporate governance, personnel management and investment and financial activities. To this end, the Bank is planning to prepare and put in place a sustainability roadmap that will outline the range of initiatives required to embed sustainability principles into operations of the Bank and its subsidiaries.

## Mechanisms for Embedding Sustainability Principles Outlined in the Development Strategy for 2015–2020 into Vnesheconombank's Operations

### Mechanisms



Embedding the principles of sustainability, CSR and responsible financing into core business processes of Vnesheconombank



Embedding a scoreboard system to evaluate sustainability performance by Vnesheconombank



Integrating sustainability and CSR principles in operations of partners and counterparties

### Measures

- Implement responsible working practices for Vnesheconombank's employees
  - Integrate responsible financing principles in lending and investment operations of Vnesheconombank
  - Develop a non-financial reporting system for sustainability purposes
  - Enhance efficiency of communications within Vnesheconombank
  - Make resource management within the administrative system of Vnesheconombank more efficient
- 
- Develop, implement and monitor achievement of key performance indicators of Vnesheconombank in terms of attaining sustainability and CSR objectives
  - Follow up compliance with sustainability principles by Russian financial organisations, international financial organisations and foreign development institutions
- 
- Learn and share experience in sustainability and responsible financing with Russian and international business communities
  - Enhance transparency of Vnesheconombank's sustainability efforts
  - Build Vnesheconombank's image as the leader of the Russian financial sector in sustainability and CSR

# 02

## Investing in Development







## 2.1 INVESTMENT MANAGEMENT

*We lead the Russian market in terms of expert evaluation and financing of major investment projects and sectoral and regional development programmes. In the current economic context, the Bank focuses on lean use of financial resources to support projects that promote the government's social and economic policy, including innovations, import substitution and infrastructure development. As part of our lending and investment efforts, we place a special emphasis on implementing responsible financing practices to minimise environmental and social risks of projects that we finance.*

Vnesheconombank is one of the key sources of **long money** for the real economy's growth. As at the end of 2014, loans with maturities **above 5 years** accounted for **89.8%** in the Bank's loan portfolio structure.

The major sectoral priorities and focus areas of Vnesheconombank's investments are set forth in the Memorandum on Financial Policies of State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank<sup>4</sup>)'. We run our investment operations with a focus on supporting major projects of strategic importance for Russian economic growth that lack sufficient financing by commercial lending institutions due to their ambitious scope of investment requirements and long payback periods.

We decide on whether investment projects can and need to be financed based on their thorough analysis and evaluation governed by the Bank's Regulations on Due Diligence of Investment Projects. In making our investment decisions, we always evaluate whether projects that apply for the Bank's financing meet the requirements of national environmental laws.

To further enhance efficient management of the environmental and social footprint of our investment projects, we were the first in Russia to actively integrate responsible financing principles into our operations. The key objectives and vision in this area are defined in Vnesheconombank's Responsible Financing Policy approved in 2013. In 2014, the Bank's investment management focused on improving the methodology for environmental and social review of investment projects.

<sup>4</sup> <http://www.veb.ru/en/about/normpr>.

In 2014, we joined the initiative of the International Financial Corporation (IFC) on integrating corporate governance principles into investment activities, which became an important step towards making our investment policy more efficient. By engaging in this initiative,

Vnesheconombank has committed to introduce a system to assess the quality of corporate governance of its borrowers, which will mitigate our lending and investment risks, but also will help us promote best international practices across the Russian business community.

## Investment Performance Monitoring and Evaluation

In 2014, Vnesheconombank consolidated information on social and economic effects of more than **100 projects** financed by the Bank and ran 11 field audits of projects involving regional representative offices of the Bank in Russia.

We evaluate how efficient the projects we are financing are in line with the Procedure for Monitoring and Supporting Investment Projects Sponsored by Vnesheconombank. As part of monitoring, we assess actual macroeconomic and budgetary performance by projects against targets and evaluate social and economic effects produced by the projects.

In 2014, we particularly focused on evaluating the social and economic footprint of projects financed by us

for such parameters as new jobs, and taxes and similar payments to federal, regional and local budgets.

Over the year, we consolidated the social and economic footprint data for more than 100 projects that we finance.

These efforts brought us a long way towards the goal of implementing an integrated system for evaluating the social and economic performance of our loans and investments. The relevant implementation guidelines developed in 2012 are currently at the validation stage. In 2014, these guidelines were tested on 10 investment projects of the Bank, with the testing slated to be completed in 2015. This will provide us with the necessary framework of practices for comprehensive evaluation of how our investment lending contributes to sustainable socio-economic growth of the Russian economy.

## Procedure for Reviewing Investment Projects of Vnesheconombank



### Core principles

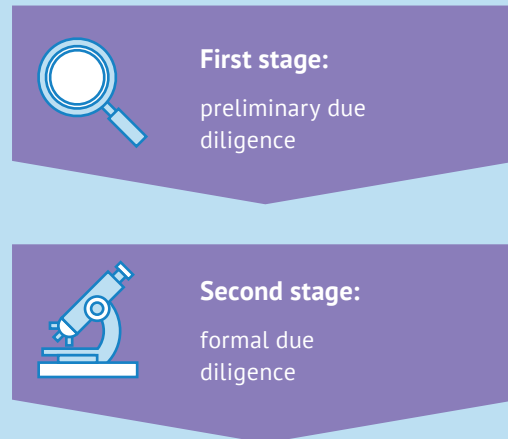
- Project conformity to key areas and sectoral priorities of Vnesheconombank's investment
- Positive economic and social effect
- High quality of the investment project



### Agents

- Investment units of Vnesheconombank
- Specialised units of Vnesheconombank
- Independent specialised vehicles, including VEB Engineering, the Group's subsidiary

### Due diligence stages



### The following steps may be also taken at the formal due diligence stage

- An independent review of all projects to be approved by the Supervisory Board of Vnesheconombank
- An independent review of energy efficiency and resource saving (for projects providing for construction of real property or production facilities)
- An independent environmental review can be additionally run to comply with the requirements of the country of the project or a foreign co-investor, where necessary
- Review by the Expert Council of Vnesheconombank (if so decided by Vnesheconombank's governing bodies)



### Project financing decision taken by Vnesheconombank's governing bodies

- Transactions with a book value **lower than 2%** of Vnesheconombank's equity (capital) are subject to approval by the Chairman of Vnesheconombank
- Transactions with a book value **from 2 to 10%** of Vnesheconombank's equity (capital) are subject to approval by the Management Board of Vnesheconombank
- Transactions with a book value **of 10% and more** of Vnesheconombank's equity (capital) are subject to approval by the Supervisory Board of Vnesheconombank

### Key parameters of Vnesheconombank's investment projects

Project payback period:

**>5** years

Total project value:

**>2** RUB bn

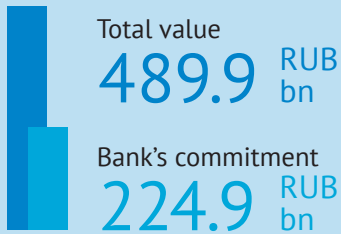
(over RUB 1 bn for projects in single-industry towns)

Minimum commitment by Vnesheconombank:

**1** RUB bn

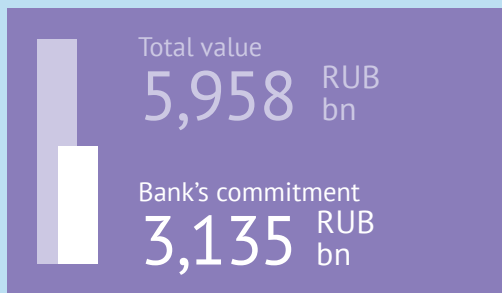
(RUB 0.5 bn for projects in single-industry towns)

## Investment Lending Performance by Vnesheconombank as a Development Bank



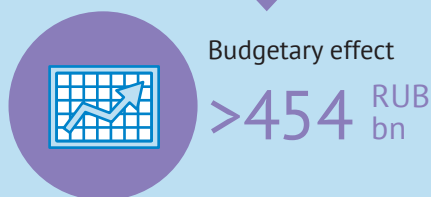
Expected budgetary effect  
**RUB 7.3 bn**

Jobs planned  
**>5,500**



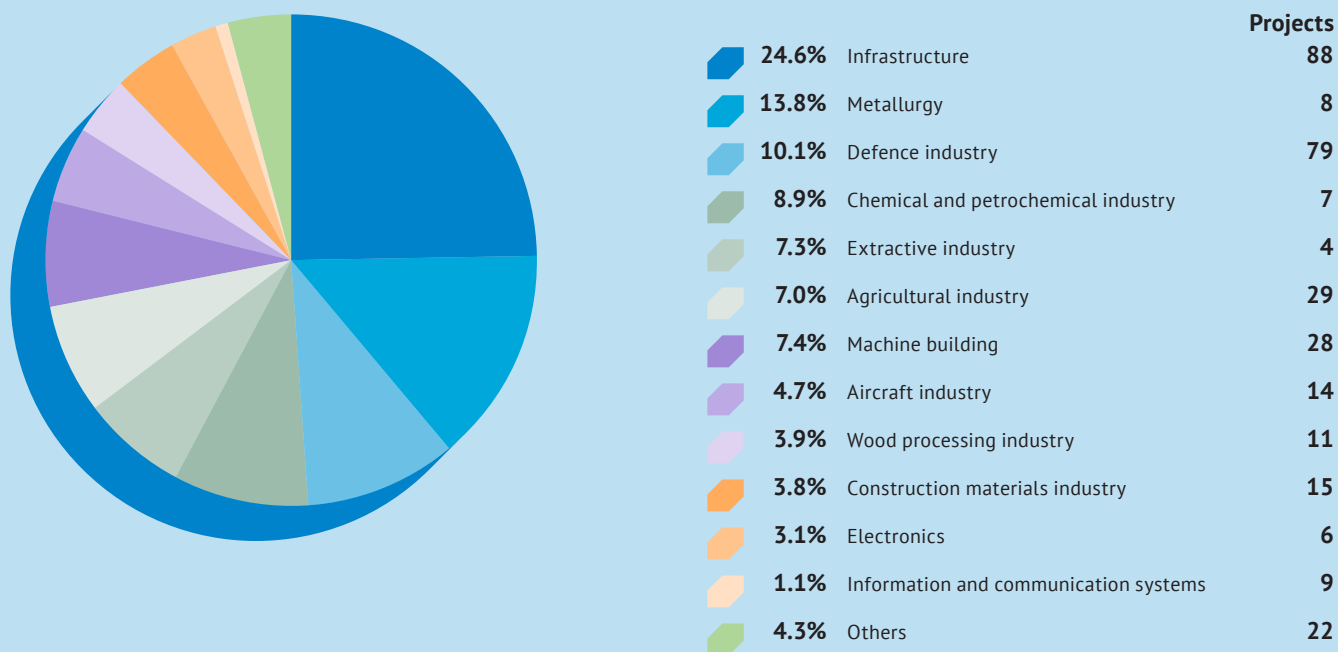
Expected budgetary effect  
**RUB 24 bn**

Jobs planned  
**>3,500**

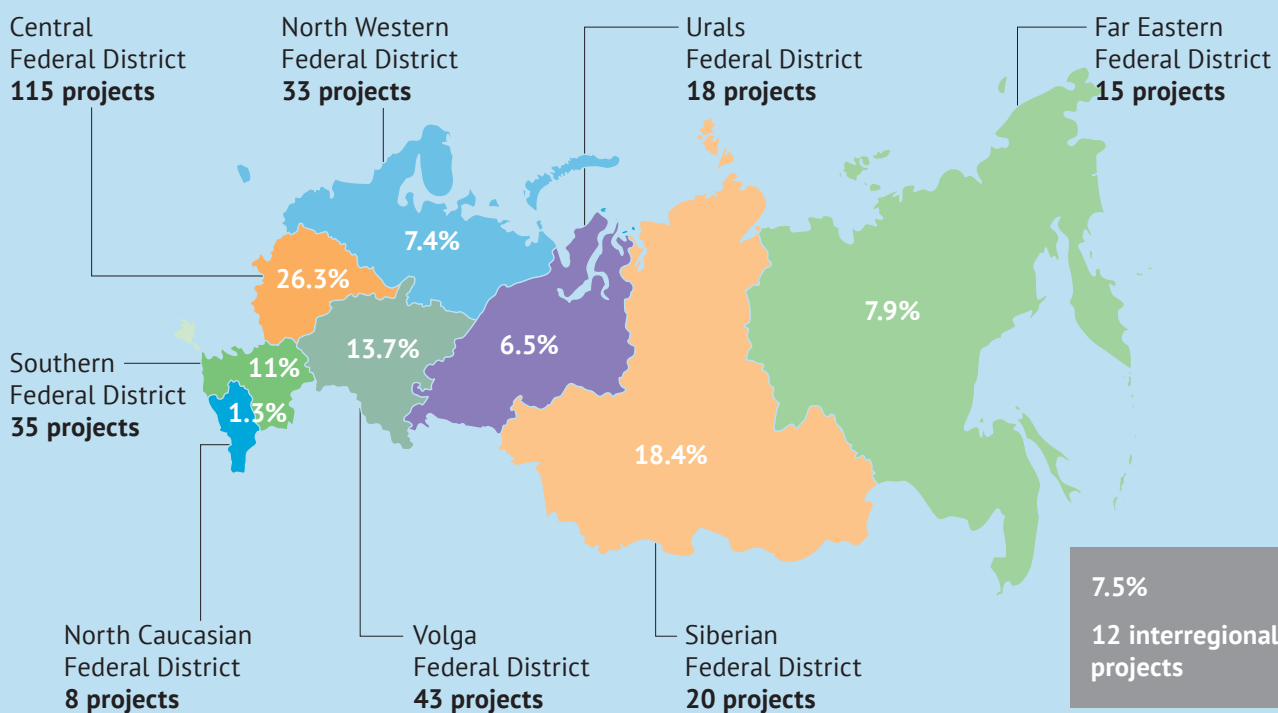


As at the end of 2014, Vnesheconombank was involved in the financing of 191 projects with a total value of RUB 4,303.0 bn, with the Bank's commitment totalling **2,145.5 RUB bn**

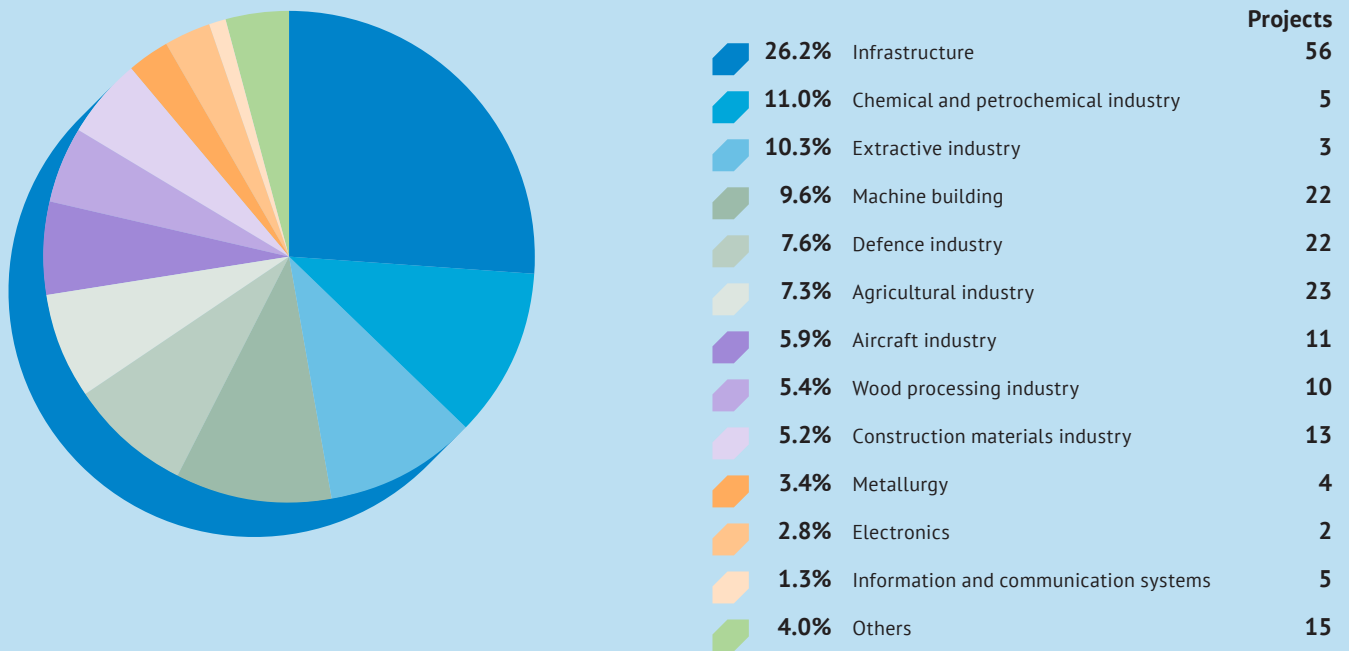
## Sectoral Breakdown of Projects Approved for Financing by Vnesheconombank in 2007–2014 (% of the Bank's commitment)



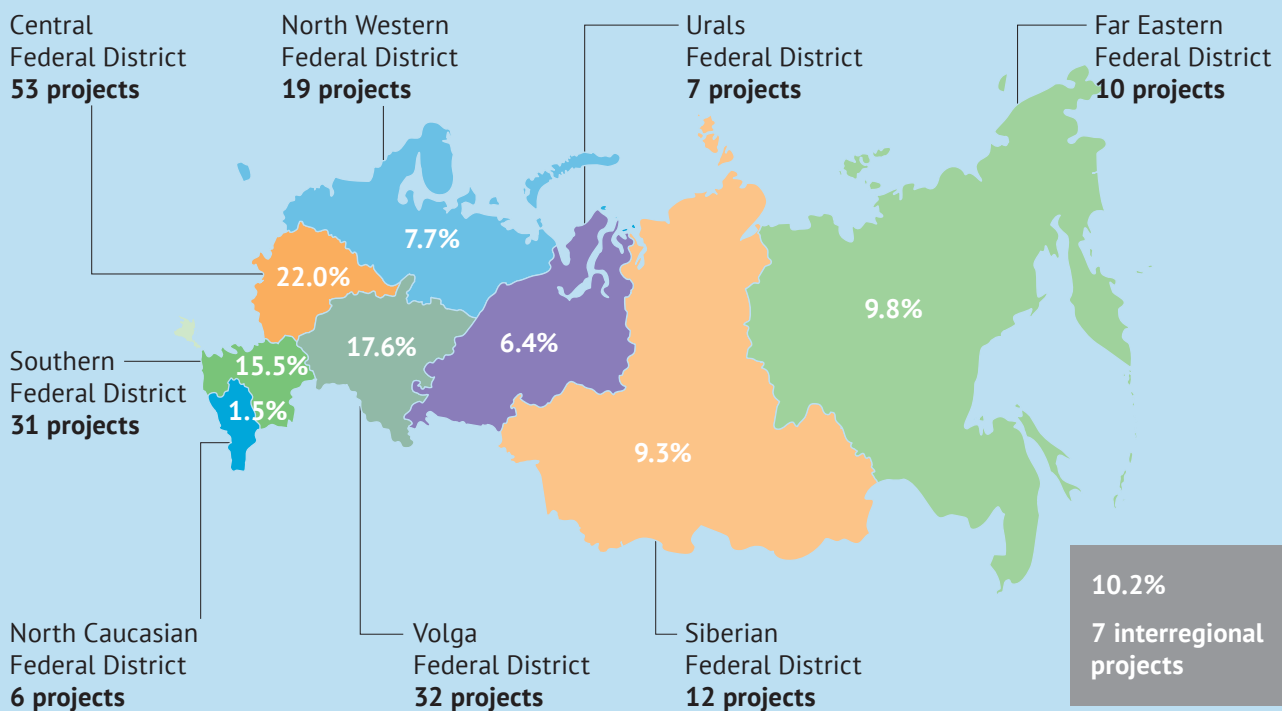
## Regional Breakdown of Projects in Russia Approved for Financing by Vnesheconombank in 2007–2014



## Sectoral Breakdown of Projects that the Bank was Financing as at the End of 2014 (% of the Bank's commitment)



## Regional Breakdown of Projects in Russia that the Bank was Financing as at the End of 2014



## Investment Opportunities

Under the modernisation development scenario, by the end of 2020, the share of Vnesheconombank's loan portfolio will grow to 5–6% of total bank loans and to 11–14% of long-term bank loans.

In 2014, as part of preparing its Development Strategy for 2015–2020, Vnesheconombank substantially revised its approach to the structure of its loan portfolio. We took into account aggravating geopolitical risks and tougher access to international and domestic capital markets that resulted in sluggish investment in the Russian economy. In the context of high demand by real sector businesses for long money, the Bank strategically focused on increasing its funding of investment projects while maintaining high quality of the loan portfolio.

To ensure sustained growth and higher quality of Vnesheconombank's loan portfolio, its Development Strategy for 2015–2020 divides the portfolio into development bank projects and special projects of national importance that carry higher risks and that are subject to other funding principles. In 2014, Vnesheconombank also amended its Credit Policy Regulations to adjust how loan interest rates should be calculated and how project implementers or borrowers should evaluate their own project funding sources. There were also adjustments to types of collateral value of property pledged to secure the Bank's loans.

The development bank's loan portfolio for 2015–2020 is planned to be built with a focus on creating new industrial production facilities, including innovative and import substitution projects, participating in programmes for financial recovery of defence industry flagships, supporting infrastructural initiatives in the transportation, energy and public utility industries and green projects with heavy social and environmental footprint.

Specific objectives with respect of special projects that are to make up about one half of the Bank's loan portfolio will be set by the Supervisory Board of Vnesheconombank. On the back of a stagnating economy, rising costs and limited access to capital markets, some projects of the development bank may be reclassified as special projects that need public funding.

Given that the loan portfolio is broken down into development bank projects and special projects, the modernisation scenario of Vnesheconombank's development for 2015–2020 provides for an almost twofold growth of the loan portfolio to RUB 2.5–3.0 tn. The development bank's loan portfolio will grow approximately to RUB 1.4–1.7 tn, while the special projects portfolio will be RUB 1.1–1.3 tn. The growth of the loan portfolio will support the Bank's input in the financing of investments in capital stock at a level of c. 1.7–2.3% by late 2020.



## Priority Areas in Building the Development Bank Portfolio for 2015–2020



Projects for economic modernisation and creation of new high added value production facilities in industries with a considerable upside potential, including manufacturing of innovative products



Green projects with heavy social and environmental footprint



Energy efficiency projects

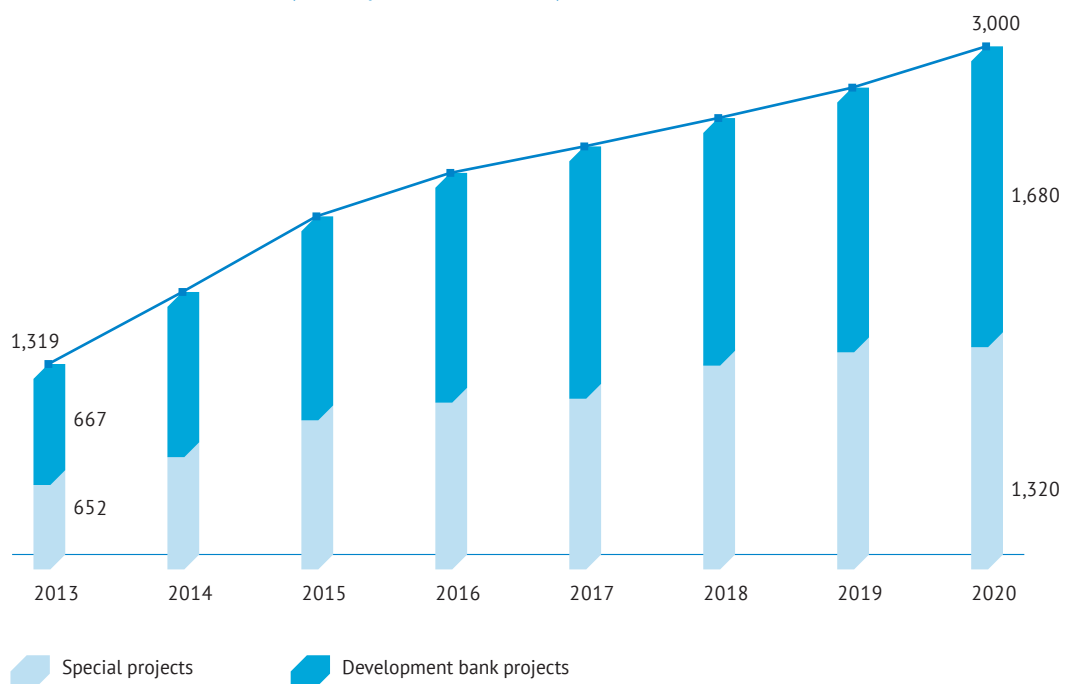


Import substitution projects, including the defence industry and the agricultural industry, and co-financing of programmes for financial recovery of a number of defence flagships



Infrastructure projects that liberalise the development of transport, energy and public utility sectors and unlock regional economic opportunities

Size of Vnesheconombank's loan portfolio under the modernisation development scenario for 2015–2020 (at the year end, RUB bn)



## Integration of Responsible Financing Principles into the Bank's Operations

In 2014, Vnesheconombank ran a training course on application of guidelines for environmental and social evaluation of investment projects that involved **over 20 employees** of the Bank.

Guided by the best international sustainability practices, we have been consistently integrating responsible financing principles into our operations to enhance efficiency of the system for management of environmental and social risks of investment projects and to ensure efficient support to environmental protection.

We were first in Russia to join the United Nations Environmental Programme Finance

Initiative (UNEP FI) and confirm thereby our commitment to sustainability principles and our intention to implement a range of environmental initiatives in our investment lending operations. An important step towards meeting our obligations was to approve Vnesheconombank's Responsible Financing Policy in 2013. The policy will be put in place, among other things, by implementing the Guidelines for Environmental and Social evaluation (ESE) of Investment Projects that the Bank started developing in 2014.

The draft investment project ESE guidelines prepared by Vnesheconombank capture the main approaches to the evaluation of project solutions currently used in the Russian Federation and best international practices, including approaches of the Organisation for Economic

### Integration of Responsible Financing Principles into the Bank's Operations: Goals and Mechanisms



**Key strategic goals of the Bank in implementing responsible financing principles**

- Enhance environmental and social responsibility of the Bank and its contribution to sustainable development of the society
- Efficiently support environmental activities and work towards better living standards
- Improve the environmental and social risk management system
- Comply with best international practices followed by financial development institutions



**Mechanisms to integrate responsible financing principles into the Bank's operations**

- Improve procedures and mechanisms for environmental and social evaluation and monitoring of investment projects guided by best international practices
- Embed environmental and social evaluation into investment project due diligence
- Implement the system of socio-economic and environmental performance evaluation of the Bank's investment lending operations

Cooperation and Development (OECD), the World Bank's policy and guidelines of the International Financial Corporation. The draft guidelines provide for evaluation of investment projects in terms of:

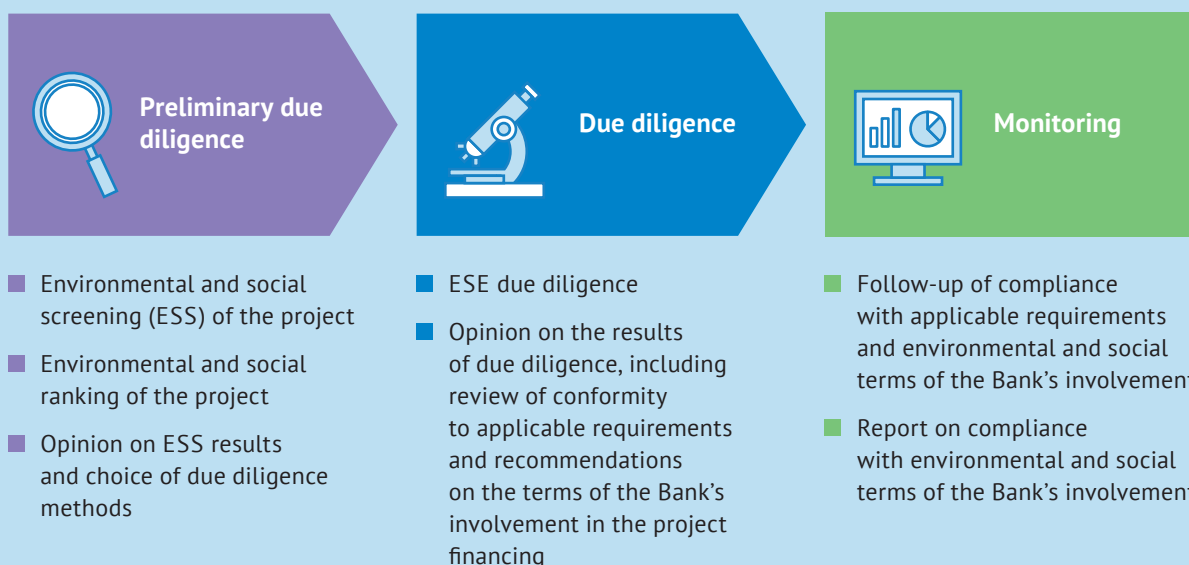
- / the environmental and social issue management system;
- / the procedure for assessing environmental and socio-economic impact of the project;
- / prevention and minimisation of negative impact on environment and human lives and health, and maintenance of local biodiversity and traditions of indigenous peoples;
- / disclosure and stakeholder engagement.

ESE mechanisms will be integrated into the existing investment project evaluation procedure of Vnesheconombank. The draft guidelines provide for environmental and social screening of all investment

projects of the Bank and their ranking by the level of environmental and social risks at the preliminary due diligence stage. The formal ESE due diligence is run based on the results of the screening with respect to projects with high potential impact on environment and local life quality. Where necessary, an environmental and social roadmap is drafted based on ESE results to address risks identified.

When embedding ESE guidelines into our lending and investment activities, we focus on identifying environmentally and socially important projects among projects eligible for the Bank's financial support. The draft guidelines provide for a list of criteria for the Bank's project to be assigned to these categories, which will allow streamlining the Bank's monitoring and analysis of the impact by its investment lending operations on the achievement of its sustainability objectives. Later on, we are considering providing additional lending preferences to projects with heavy environmental and social footprint.

## ESE Procedure



## Socially important project



if

**The project meets one or several of the following criteria**

- Creates alternative jobs in single-industry towns
- Supports socially vulnerable groups
- Improves quality and accessibility of social infrastructure
- Puts in place practical steps to reconstruct cultural heritage
- Provides social support to indigenous minorities

## Environmentally important project



if

**The project meets one or several of the following criteria**

- Considerably reduces manmade environmental footprint
- Recovers environmentally challenged territories
- Puts in place innovative, resource-saving and green technologies and practices
- Recovers and preserves environment and biodiversity

## 2.2 PROJECTS FOR REGIONAL DEVELOPMENT AND MODERNISATION OF SINGLE-INDUSTRY TOWNS

*Our efforts to ensure integrated sustainable development of territories seek to encourage economic growth and enhance business activity in the country's hinterlands and reduce the gap in life quality between different groups of its population. Our regional policy provides for a range of measures to set up new economic growth hubs powered by regional competitive advantages and to facilitate more diversified economies in single-industry towns.*

As at the end of 2014, Vnesheconombank signed **58 cooperation agreements** with Russian regions. During the year, the Bank was involved in the implementation of **5 joint action plans** on integrated territorial development of Russian regions.

The Bank's regional policy aims to develop territories of strategic importance, including those in the interests of national security. They primarily include the Far East, the Baikal Region, the North Caucasus, the Kaliningrad Region and Arctic areas. The Bank's Development Strategy for 2015–2020 also includes the Republic of Crimea and Sebastopol as a city of federal significance in the list of priority territories.

Vnesheconombank runs its regional policy in close cooperation with government authorities of Russian regions. To build strategic partnerships and promote long-range and efficient investment relations, we have entered into cooperation agreements with 58 Russian regions, including 3 agreements signed in 2014.

In setting up new economic growth hubs, we focus on taking advantage of capabilities of all members of the Group, including by implementing joint action plans with Russian regions regarding integrated territorial development.

In 2014, we were involved in the implementation of 5 integrated territorial development plans under which Vnesheconombank Group and regional authorities joined their efforts to procure and implement investment projects, including on PPP terms, develop industrial parks and clusters, support single-industry towns, encourage SME and promote educational activities. This approach has proved to be efficient with the example of the Kaluga Region where we completed the first integrated development plan between 2011 and 2013 that gave a strong impetus to industrial and economic growth of the Region.

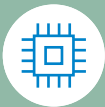
For more efficient operation of Vnesheconombank and the Group, we are regularly updating our pool of investment opportunities in Russian regions. This process is spearheaded by the Bank's representative offices in Russia that actively select investment projects and promote products and services of the Group at the regional level.

# Implementation of Integrated Territorial Development Plans Involving Vnesheconombank Group in 2014

## Rostov Region

2013–2018

Priority sectors:



## Samara Region

2014–2019

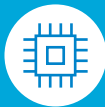
Priority sectors:



## Priority sectors:



Manufacturing



Innovations



Infrastructure



Machine building



Agricultural industry



Transport

## Astrakhan Region

2013–2018

Priority sectors:



## Priority Areas for Implementation of Integrated Territorial Development Plans



Investment activities of Vnesheconombank and its subsidiaries



Support to small- and medium-sized enterprises



Development of industrial parks and clusters



Support to single-industry towns



Cooperation between regions and Vnesheconombank Group



Educational project, public events

### Kemerovo Region

2012–2015

Priority sectors:



### Primorye Territory

2013–2018

Priority sectors:



## Results of Vnesheconombank's Regional Policy in 2014



Cooperation agreements were signed with 3 Russian regions (Moscow and Yaroslavl Regions, and the Republic of Khakassia)

As at the end of 2014, Vnesheconombank approved the financing of 34 projects with a total value of RUB 306.1 bn, with the Bank's commitment standing at

**176.5** RUB bn

These projects will be implemented in the Russian regions that signed agreements with the Bank in 2014

The Bank is considering 10 projects with a total value of RUB 110.8 bn and a potential commitment of the Bank exceeding

**87.9** RUB bn

The projects are planned to be implemented in the Russian regions that signed agreements with the Bank in 2014



The joint action plan for integrated territorial development of the Samara Region was approved for 2014–2019

The joint action plan of Vnesheconombank Group and the Government of the Samara Region provides for implementation of 10 projects with a total value of RUB 157.4 bn and a potential commitment of the Bank of

**103** RUB bn

The plan includes 13 projects in the SME sector with the financing to be provided by Vnesheconombank Group totalling RUB 5.2 bn. The comprehensive development plan's implementation is expected to create over 6.3 thousand new jobs and provide c. RUB 4.2 bn of taxes and similar payments

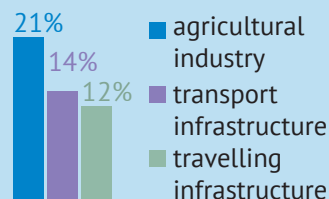


The database of investment opportunities in Russian regions was updated

As at the end of 2014, the database of regional investment project opportunities of Vnesheconombank comprised 239 projects, including projects in single-industry towns, totalling

**2.4** RUB tn

Projects that accounts for the largest shares in the database of regional project opportunities:



Information on industrial sites in single-industry towns was collected and processed

We have collected and analysed information on the state of

**445** industrial sites

in 165 single-industry towns in 45 Russian regions

Materials on

**164** industrial sites

in 65 single-industry towns in 23 Russian regions are published on the Bank's website



As part of implementation of its Development Strategy for 2015–2020, Vnesheconombank is planning to continue encouraging balanced social and economic development of Russian regions. The Strategy shifts the priorities towards single-industry towns, including

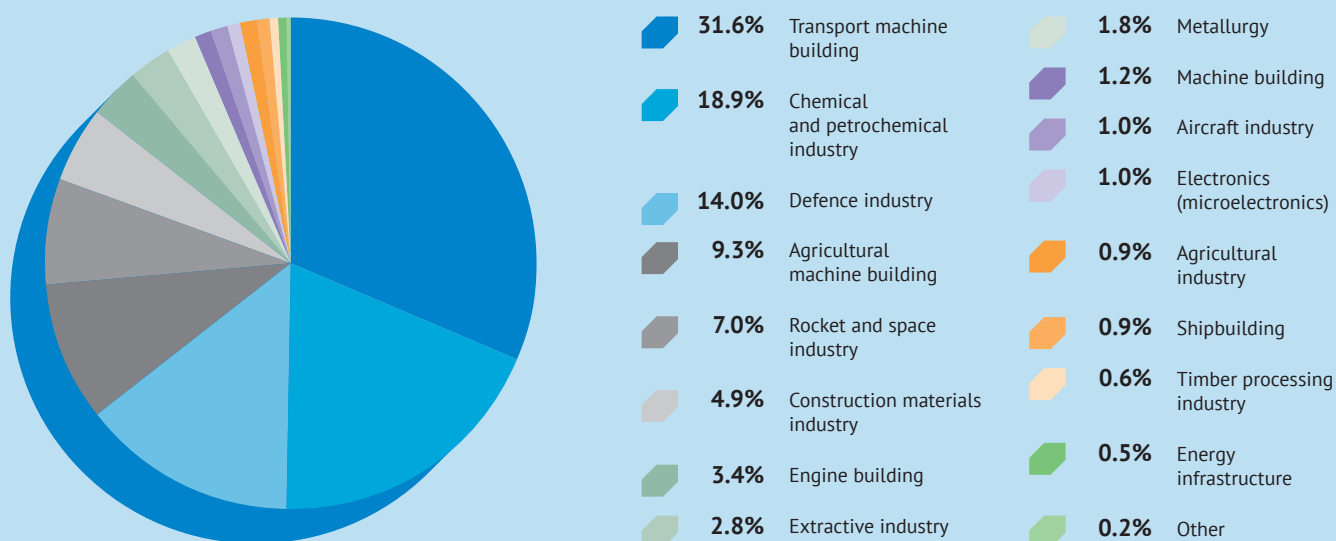
by consolidating the efforts with the Foundation for Development of Single-Industry Towns created in 2014 with the Bank's support. Enhancing efficiency of the Bank's representative offices in Russia will also contribute to the success of our regional policy.

## Modernisation of Single-Industry Towns

As at the end of 2014, Vnesheconombank's single-industry town portfolio included 37 projects with a total value of RUB 641.39 bn, with the Bank's commitment standing at **RUB 383.43 bn**. Once implemented, these projects are planned to create over **12 thousand new jobs** in single-industry towns.

According to the list approved by the Russian Government, Russia currently has 319 single-industry towns, including 94 that face the most challenging social and economic circumstances and are included into Category 1 that requires government support in 2015–2017. Efforts in this area are coordinated by the Working Group on Modernisation of Single-Industry Towns operating under the auspices

### Sectoral Breakdown of Vnesheconombank's Projects in Single-Industry Towns as at the End of 2014 (% of the Bank's total commitment)



## Foundation for Development of Single-Industry Towns: Priorities and Outlooks

### Purpose

Set the prerequisites for new jobs and investments in single-industry towns with the most challenging social and economic situation

### Focus areas



Finance the building of engineering infrastructure in single-industry towns



Draft project documents and originate the financing for investment projects aimed to diversify the economies of single-town industries



Train project managers for single-industry modernisation projects

### Outlooks

The list of investment projects planned to be implemented with the Foundation's financing includes 234 projects for a total of

**454.6** RUB  
bn

248 measures related to the construction, renovation or upgrade of infrastructure facilities for a total of

**48** RUB  
bn

need to be implemented to launch investment projects that are planned to be financed by the Foundation

The Foundation's investment projects are planned to create

**>47** thousand  
new jobs

of the Governmental Commission for Economic Development led by Irina Makiyeva, Deputy Chairman of Vnesheconombank.

In 2014, the working group prepared proposals for the draft Federal Law 'On Accelerated Social and Economic Development Territories' (ADT) regarding the expansion of special legal entrepreneurship treatment to organisations that implement investment projects in single-industry towns facing the most challenging social and economic situation. The Federal Law capturing these proposals was enacted on 30 March 2015. This will help build

the prerequisites for economic growth in crisis-facing single-industry towns, primarily by making them more attractive for investors.

The creation of the Foundation for Development of Single-Industry Towns by Vnesheconombank in 2014 became an important step towards stabilising the social and economic situation in Category 1 single-industry towns. The Foundation will act as a project office for implementing investment projects that aim to diversify the economy and add new jobs in crisis-facing single-industry towns.

The federal budget provides for RUB 29.1 bn of subsidies to be allocated to the Foundation until 2018. The Foundation is planned to support 50 single-industry towns over that period. As at the end of 2014, a RUB 3 bn subsidy was already transferred to the Foundation's account, while Vnesheconombank made a property injection for RUB 16.4 mn.

Developing single-industry towns is among our investment priorities. The Bank's portfolio includes 37 projects aimed at financial recovery and modernisation of backbone

businesses of these towns and their economic diversification. As at the end of 2014, 29 of these projects with a total value of RUB 595.07 bn and the Bank's commitment of RUB 351.18 bn were already fully financed, at the stage of financing or approved by the Bank's governing bodies. Another 8 projects with a total value of RUB 46.32 bn and the Bank's potential commitment of RUB 32.25 bn are at the review stage.

## Priority Regions: the Far East and Baikal Region

As at the end of 2014, Vnesheconombank was involved in the financing of **10 projects** implemented in the Far Eastern Federal District, with a total value of RUB 349.4 bn and the Bank's commitment of **RUB 196.8 bn**.

The Far East and Baikal Region is among the top priorities of Vnesheconombank Group's investment policy. Our commitment to this macro-region is driven by its specific geographic location in the immediate proximity to burgeoning Asian economies, its immense reserves of mineral resources, and huge upside opportunities in agriculture, fishery and tourism.

In order to foster efficient relations with government authorities of the Far Eastern Federal District, Vnesheconombank signed cooperation agreements with most constituent entities of the Russian Federation that make up the macro-region, including the Republic of Sakha (Yakutia), Khabarovsk and Primorye Territories, and the Amur

and Sakhalin Regions. Vnesheconombank Group is currently also putting in place a joint action plan with the Administration of the Primorye Territory for integrated territorial development of the region in 2013–2018.

The Far East and Baikal Region Development Fund founded in 2011 is responsible for accelerated development of this macro-region. The Fund's operations focus on structuring and carrying out investment projects that offer considerable social and economic potential for the macro-region's economic growth and on creating new opportunities to attract investments to the Far East.

Involvement in the building of Accelerated Development Territories (ADT) is another opportunity for the Fund. Under the Federal Law adopted in 2014, ADT may so far be set up only in the Far East. Implementation of the task given by Russian President Vladimir Putin to design a mechanism to increase the capitalisation of the Fund with extra tax income from new projects implemented in the Far Eastern Federal District will give a further impetus to the Fund's growth.

## Performance of the Far East and Baikal Region Development Fund in 2014

### Building a high-potential investment project portfolio

As at the end of 2014, the Fund explored the possibility of getting involved in 28 investment projects with a total value of more than RUB 430 bn

In 2015, the Fund is planning to take part in the implementation of at least 3 investment projects

### Procurement and structuring of investment projects

The Fund took part in the procurement of a project for construction of the Nizhneleninskoye–Tongjiang border crossing, a railway bridge via the Amur River, to be implemented under an intergovernmental treaty between Russia and China

The project is being implemented jointly with the Russia-China Investment Fund established by RDIF in cooperation with the China Investment Corporation

The Fund took part in the preparation of a project for development of Vladivostok International Airport

The project will be financed by a consortium involving Basic Element (Russian industrial group), Changi Airports International (a subsidiary of Changi, the Singapore Airport operator), and RDIF



### Project: Creation of Wood-Processing Facility in the Solnechny District of the Khabarovsk Territory

**Project initiator/borrower:** OOO Aziya Les

**Total project value:** RUB 8.2 bn

**Vnesheconombank's commitment:** RUB 6.7 bn

**Project goal:** creation of a new knowledge-intensive timber-sawing and wood-processing facility in the Far East

The project will help unlock the economic potential of the Far East that accounts for one fourth of the country's reserves of commercial timber. The Order of the Russian Ministry of Industry and Commerce dated 18 January 2012 includes the project into the list of priority projects for investment in wood management.

The project is the second stage in a long-term development programme of the Business Marketing Group that

aims to set up a vertically integrated wood-processing facility in the Khabarovsk Territory that will provide 1.15 mn cubic metres of round timber and 750 thousand cubic metres of processed wood every year.

The timber-logging and sawn-timber processing capacities of the new facility will be 650 thousand cubic metres and 450 thousand cubic metres respectively. The project will also offer finished products:

- / sawnlog (110 thousand cubic metres per year);
- / dry timber (132 thousand cubic metres per year);
- / dressed timber (30 thousand cubic metres per year);
- / moulded timber (30 thousand cubic metres per year);
- / shavings (108 thousand tonnes per year);
- / fuel pellets (70 thousand tonnes per year);
- / round timber (90 thousand cubic metres per year).

## Priority Regions: the North Caucasian Federal District

As at the end of 2014, NCDC was financing 6 projects, with the Corporation's commitment of RUB 6.8 bn. These projects are planned to create c. 2 thousand new jobs within the projects, and another 6 thousand new jobs in related sectors, as well as bring RUB 1.85 bn of annual tax proceeds.

Vnesheconombank Group pays particular attention to the development of the North Caucasian Federal District due to its strategically important location and huge potential in such sectors as the agricultural, manufacturing and hydro power industries. The region also boasts a unique combination of balneology resources, including mineral drinking water sources, thermal waters and therapeutic muds, which is a strong tourism driver.

We have in place cooperation agreements with all regions of the North Caucasian Federal District with an aim to establish strategic partnership relations with public authorities of this macro-region.

North Caucasus Development Corporation (NCDC) set up in 2010 is a key entity of Vnesheconombank Group that aims to promote investment opportunities in the North Caucasian Federal District. Under NCDC's Strategy for 2011–2015, the Corporation's mission is to set up a successful investment business so as to encourage economic growth in North Caucasian regions. The Corporation focuses on supporting the implementation of the government programme for development of the North Caucasian Federal District, attracting investors to the region and creating new jobs.



### Project: North-Caucasian Mountain Club

**Project initiator/implementer:** NCDC  
**Total project value:** RUB 210 mn  
**NCDC's commitment:** RUB 210 mn  
**Number of new jobs:** 31 within the project and 200 in related sectors  
**Annual tax proceeds:** RUB 4.6 mn  
**Project goal:** set up a framework for round-the-year adventure and environmental tourism in the North Caucasus

The project provides for regular individual, group and corporate tours of unique natural territories of the North Caucasus. Customised itineraries that give a fresh perspective on well-known attractions of the region will appeal both to outside visitors and local residents of the North Caucasus.

Tourists take particular interest in the high-mountain hotel/tourism facility that offers all the necessary infrastructure to climb the Elbrus. The facility is a part of LeapRus, an advanced comfortable and environmental high-mountain hut.

As part of the project, we have created the PosetiKavkaz (Visit the Caucasus) Fund to promote active leisure in the North Caucasus, and a website where visitors can book and pay for tours, hotels and tickets.

## Sochi Olympics: a Year Later

*According to a survey run by WCIOM in January 2015, a year after the Sochi Olympics Russians still have positive recollections about the Games. Two thirds of the respondents (64%) refer to the Sochi Olympics as the most prestigious event of world scale. For 46%, they were a special event that made them proud for their country. Every second respondent (54%) noted that such large-scale competitions gave an impetus to the development of fitness and sports. Three thirds of Russians (75%) support holding similar large-scale sports events in Russia.*

The Winter Olympics in Sochi has proved to be one of the largest scale and sophisticated projects implemented in Russia over the last 20 years. Tremendous sports and touristic facilities were built on a tight schedule, almost from scratch, while the region's transport and energy infrastructure was also upgraded. This allowed not only a successful holding of the Olympics, but also left the region with advanced infrastructure that makes the Greater Sochi a major recreation hub of international level.

In many respects, these impressive results were made possible only due to the involvement by Vnesheconombank that financed major Olympic construction projects. These include the now world-famous Roza Khutor ski resort, Mountain Carousel sports and tourist complex, Ice Cube curling centre, modern hotels, airport and cargo port of Sochi, and energy infrastructure facilities.

A year after the Olympics, Vnesheconombank sees its mission in ensuring the necessary conditions to recover the money invested by the Bank in the preparations for the Games. Given the troubled economic situation, the Bank decided to extend maturities for the principal and interest under loan agreements for the construction of Olympic facilities. Loan restructuring will be negotiated with each borrower on a case-by-case basis.

Seeking to speed up investment payback, we are directly involved in the process of identifying the ways for Olympic facilities to be efficiently used after the Games. These efforts are fully supported by the Russian Government, regional authorities and other investors, including by an ad hoc interdepartmental commission led by Dmitry Kozak, Deputy Prime Minister of the Russian Federation.

Roza Khutor ski resort is an example of successful post-Olympics utilisation of Olympic facilities. In 2014, over 1 mn people attended the resort. Additional chairlifts and new skiing routes were built in the resort. Roza Khutor is also planning to host the Alpine Junior World Ski Championships in 2016.

During the post-Olympic year, the Greater Sochi already hosted the Channel One Cup hockey tournament, games of the Continental Hockey League, Formula-1 World Championship, Russian Figure Skating Championship, Fed Cup tennis games, the World Chess Championship and other sports events. Coming down the pipeline are the final stage of the Bobsleigh and Skeleton World Cup and a Luge World Cup stage to be held in 2015, as well as 2017 Bobsleigh and Skeleton World Championships, and 2018 FIFA World Cup.

## 2.3 SUPPORT TO INNOVATIONS

*Among other priorities, the government policy aims to implement an innovative growth model in the Russian economy, which is particularly important today when technological advances come into our life at an amazing rate. The latest competitiveness rating by the World Economic Forum shows that the lack of innovations is a major drawback of Russia that ranks only the 108th across the world in terms of implementing advanced technologies. Vnesheconombank seeks to fill this accumulated gap as one of its priority tasks. To this end, we strive not only to finance high-tech projects, but also assist in building the infrastructure to support innovations.*

As at the end of 2014, the share of innovative development projects accounted for 25.4% in Vnesheconombank's loan portfolio. This is above the target of 20% to be reached by late 2015 under the Bank's Development Strategy for 2011–2015.

Our investment lending priorities include support to innovation projects provided across such sectors as aircraft construction, medical equipment and pharmaceuticals, defence, space and rocket, electronics and engine construction.

Vnesheconombank is among those few in Russia who invest long money in the most complicated projects to launch the manufacturing of innovative products with high added value. Vnesheconombank's Development Strategy for 2015–2020 reiterates our support to innovations as a priority in our investment lending policy.



## Project: Construction of a Synthetic Sapphire Plant for Optic Electronics

**Project initiator/borrower:** Kama Crystal Technology  
**Total project value:** RUB 6.4 bn  
**Vnesheconombank's commitment:** RUB 4.6 bn  
**Project's budgetary effect:** RUB 2.5 bn, including the actual budgetary effect since the launch of the project financing exceeding RUB 50 mn  
**Expected number of new jobs:** 235, including 33 new jobs already created within the project  
**Project goal:** create a business to grow and use artificial sapphire to produce specialised components. The project is also intended to develop the single-industry municipality of Naberzhniye Chelny in the Kama Innovative Territorial Production Cluster

The project provides for the creation of an innovative business that will be able to support the full cycle of artificial sapphire production and offer finished products used in optic electronics, microelectronics, optics, watch production and other industries. Over 90%

of the planned output is expected to be exported. The products would be ordered by consumers from about 40 world countries, given that at the moment South-Eastern Asian countries (China, Taiwan, South Korea, Japan) are the largest consumers of sapphire.

A plant that will produce extra pure aluminium oxide (feedstock for artificial sapphires) is also planned to be constructed as part of the project to prevent exposure of the business to foreign suppliers.

## Developing an Integrated System to Support Innovations

*We and Vnesheconombank are facing a daunting challenge. The current innovative process in Russia is such that many of our developments are easier to implement in foreign countries than in Russia. I think this is wrong, and our agreement seeks to move away from this practice. Developments by our researchers must find their application within the country. We rely on capabilities of Vnesheconombank as a bank focused on innovation. Today, science needs a strong ally outside the research community. Only thus we will be able to succeed.*

Vladimir Fortov  
 President of the Russian Academy of Sciences

among development institutions and other stakeholders to ensure continuous financing of innovative projects at all stages of the innovative cycle. Parties to the agreement – Vnesheconombank, Rusnano, the Skolkovo Foundation, Russian Venture Company, SME Bank and a number of other development institutions – will jointly determine how to support high-potential innovative solutions in the most optimal way and promote them until the commercialisation stage.

In 2014, Vnesheconombank and the Russian Academy of Sciences (RAS) signed an agreement that became a next step in developing our innovation support relations. The agreement provides for joint efforts on development, implementation, independent review and professional education in the field of science and new technologies and seeks to implement the government's innovative policy.

Vnesheconombank is actively involved in building an integrated system to support innovative projects and solutions. To this end, in 2010 we initiated the signing of a multilateral agreement on cooperation



In 2014, Vnesheconombank co-organised the Moscow International Forum for Innovative Development 'Open Innovations' for the third time. The Forum has proved to be a global venue to discuss cutting-edge technologies and outlooks of international cooperation on innovations.

As part of the Forum's youth programme, Vnesheconombank held its annual award ceremony for the best innovative project among young entrepreneurs focused, among other things, on supporting the growth of the innovative segment of SME.

## Relations with the Agency for Strategic Initiatives

In 2014, Vnesheconombank provided investment consultancy services for 2 projects reviewed by ASI and launched a due diligence of 1 project supported by ASI and requesting the Bank's financing.

Relations with the Agency for Strategic Initiatives (ASI) is a priority area of Vnesheconombank's efforts aimed at building a favourable environment to implement socially significant projects and initiatives and improve

the business climate. The Bank provides ASI with expert and organisational support on a broad range of issues related to selection and promotion of investment projects and coordination of other aspects of the Agency's operations.

The Bank is involved in key preparatory stages of ASI's investment projects by providing expert support to the working team of the Agency's Expert Board that reviews the projects, providing investment consultancy services for individual projects, and by earmarking the most promising projects of ASI for potential financing by the Bank.

## Outcomes of Relations with ASI in 2014

### Financing projects supported by ASI

In 2014, Vnesheconombank considered the possibility of financing of ASI's project, 'Creation of a High-Tech BFRP Facility in Yakutsk', with a total value of

**2.42** RUB  
bn

for which the Bank already provided investment advisory services. On review, the Bank started a due diligence of the project to make the decision on potential financing

### Providing investment advisory services for projects reviewed by ASI

In 2014, Vnesheconombank provided investment advisory services on the following projects of ASI:

'Creation of a Facility for Production of Human Plasma Based Innovation Medicines' with a total value of

**1.8** RUB  
bn

'Organisation of Production of Dry Mortars, Glass-Making and Graded Sand' with a total value of

**1.6** RUB  
bn

### Running express analysis of projects and initiatives reviewed by ASI's Supervisory Board

In 2014, Vnesheconombank reviewed 15 start-up, social and educationl projects examined by the Supervisory Board of ASI.

Based on the results of the review, voting proposals were prepared for the Chairman of Vnesheconombank who sits on ASI's Supervisory Board

### Participating in the work of ASI's Audit Commission

In 2014, Vnesheconombank was involved in the examination of materials and drafting of a report of ASI's Audit Commission

### Participating in meetings of the working group of the ASI's Expert Board

In 2014, Vnesheconombank reviewed 42 investment projects examined by the working group of the Expert Board of ASI

## Support to Skolkovo Foundation Projects

The Skolkovo Foundation was the first technology city built from scratch in post-Soviet Russia. The Foundation is building a special environment for developing and commercialising new technologies in priority areas of the national innovative policy. VEB Innovations is a special project vehicle of Vnesheconombank Group that is responsible for financing high-tech projects of the Skolkovo Foundation. VEB Innovations works with projects from across all five clusters of the Skolkovo Foundation and has proved to be one of the most active

investors in Russian innovative projects at the seed and early stages.

As part of the Development Strategy for 2015–2020, Vnesheconombank is intending to expand the investment mandate of VEB Innovations. The fund is planned not only to keep financing knowledge-intensive projects, but also to provide financial support to exports of Russian innovative products and develop cooperation with international investors in innovative areas.



### Project: Development of a New Diagnostics Method for Coagulation Disorder

**Project initiator/implementer:** HemaCore Labs, a Skolkovo Resident

**Total project value:** RUB 165 mn

**Commitment by VEB Innovations Fund:** RUB 60 mn

**Number of new jobs:** 19

**Expected budgetary effect:** RUB 0.5 mn

**Project goal:** develop, clinically test and commercialise Trombodinamika-4D haemostasis, a new generation of Trombodinamika test

The project will create an integral test of Trombodinamika-4D haemostasis that allows diagnosing coagulation disorders at early stages, including the identification of haemorrhage and blood clotting risks, to reduce the number of complications from thrombosis, ischemic strokes and other conditions. The device provides

high diagnostics accuracy as the processes modelled in the devices are identical to natural blood coagulation processes that occur in the human body.

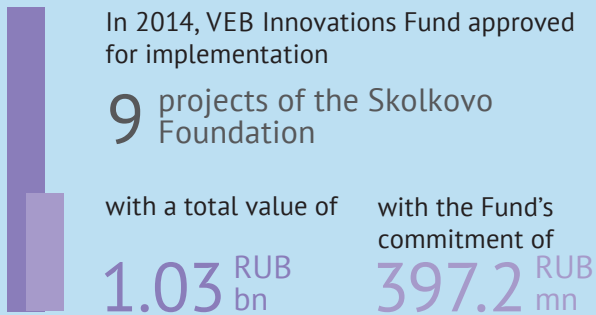
Several laboratory copies of the device have been built so far, and pre-clinical test results have been produced

and published. New investment will help HemaCore Labs to complete the development of the device's commercial version, run clinical tests, work out recommendations on application of the device in different coagulation conditions and start introducing Trombodinamika-4D in clinical practice.

## Involvement of VEB Innovations in the Financing of the Skolkovo Foundation's Projects

Since its inception, VEB Innovations Fund has financed 18 projects of the Skolkovo Foundation for a total of

**500** RUB mn



These projects are planned to create

**>1,000** new jobs

provide tax and similar proceeds of

**>15** RUB mn



These projects are planned to create

**>200** new jobs

provide tax and similar proceeds of

**>10** RUB mn

### The Skolkovo Foundation Clusters

IT



Nuclear



Energy efficiency



Biomed



Space technologies



**In 2014, the Fund took part in the financing of:**

3 projects of the cluster

2 projects of the cluster

1 project of the cluster

1 project of the cluster

**In 2014, the Fund approved the financing of:**

3 projects of the cluster

2 projects of the cluster

1 project of the cluster

1 project of the cluster

2 projects of the cluster

Before 2020, VEB Innovations Fund is expected to invest up to RUB 30 bn in innovative projects at seed and early stages and raise up to RUB 20 bn from third-party co-investors

## 2.4 ENVIRONMENTALLY IMPORTANT PROJECTS

*Our investment priorities include support to environmental stewardship and energy efficiency projects. In this area, we place a particular emphasis on renewable energy development. In 2014, Vnesheconombank's project for the renovation and construction of small-scale hydro power plants in the Republic of Karelia won an international award of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), the European Organisation for Sustainable Development (EOSD) and the World Federation of Development Financing Institutions (WDFI).*

As at the end of 2014, the share of environmental stewardship and energy efficiency projects in the portfolio of projects financed by Vnesheconombank was **33.9%**.

Our investment efforts aimed at supporting environmentally sustainable projects, including energy efficiency projects, work towards the goals of the national environmental development policy, including the Energy Efficiency and Electric Utility Development national programme (its plan was approved in 2014). With energy resource costs rising and environmental issues aggravating, the programme becomes particularly relevant and will enhance the availability of energy resources in the Russian economy while making their use more efficient. It will also reduce the environmental footprint of the energy sector.

Under Vnesheconombank's Development Strategy for 2015–2020, support to energy efficiency projects and green projects of high social and environmental

importance will be a priority area that will drive the structure of the development bank's loan portfolio. The Strategy also provides for establishing business relations with green funds that seek to invest in renewable energy, resource and energy efficiency, and water supply and waste recycling initiatives. At the same time, the Bank will consider issuing green bonds, with the proceeds to be used exclusively to finance environmental projects.





Vnesheconombank runs its energy efficiency projects in close contact with international development institutions, including as part of a programme for target financing of energy efficiency projects in Russia. In 2014, Vnesheconombank prepared a concept for raising a loan from the IBRD and had it approved by the Russian Ministries of Finance and Economic Development. The concept provided that the loan amount was to be increased from USD 300 mn to USD 500 mn.

At the same time, Vnesheconombank, with the support of IFC, continued working on building a mechanism for evaluation of energy efficiency projects for the portfolio of projects that can be financed under the programme.

Currently, Vnesheconombank, with the support of IFC, is actively working on building a mechanism for evaluation of energy efficiency projects. In 2014, we, jointly with IFC, organised a number of training courses for employees

of Vnesheconombank on energy efficiency in investment projects, including internships in major banks and development institutions in China. This experience was used by the Bank to prepare draft guidelines on assessing energy efficiency indicators that are planned to be integrated into the existing regulations on expert evaluation of the Bank's investment projects. This work should produce an energy efficiency portfolio of development bank projects, including those to be potentially financed by international investors.

### Priority Areas of Target Financing of Energy Efficiency Projects

 <p><b>Energy efficient equipment upgrade</b></p>	 <p><b>Efficient energy generation</b></p>
 <p><b>Renewable energy sources</b></p>	 <p><b>Energy saving retrofitting of buildings</b></p>

### Planned Energy Efficiency Changes in the Regulations on Expert Review of Investment Projects

 <p><b>Vnesheconombank is planning to select energy efficient projects that aim to</b></p>	 <p><b>Vnesheconombank is planning to apply the following criteria to energy efficient projects</b></p>
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- Upgrade core operations (acquire core operating equipment)
- Upgrade corporate energy facilities (lighting, ventilation, heat and water supply, energy efficient repair of buildings)
- Upgrade and acquire equipment for heat production and electricity generation
- Upgrade and acquire equipment to use alternative and renewable energy sources
- Upgrade and acquire equipment to manufacture energy efficient equipment or materials
- Build from scratch using best available solutions

- Energy Saving Unit (ESU) exceeding 15%
- Best solutions available used in greenfield projects

## Vnesheconombank's Projects Aimed to Promote Efficient Use of Natural Resources, Support Environmental Stewardship, and Enhance Energy Efficiency

Since Vnesheconombank has been acting as a development institution, the Bank's management has approved its involvement in the financing of

As at the end of 2014, Vnesheconombank took part in the financing of

### 45 projects



### 34 projects



### Project: Construction of Boguchany HPP

**Project initiators:** RusHydro, RUSAL  
**Borrower:** Boguchany HPP  
**Total project value:** RUB 72.5 bn  
**Vnesheconombank's commitment:** RUB 28.1 bn  
**Actual budgetary effect since initial financing:** RUB 2.8 bn  
**Number of new jobs:** 118  
**Project goal:** complete the construction of Boguchany Hydro Power Plant on the Angara River with an installed capacity of 2,997 MW

Boguchany HPP is one of the largest construction projects in Russia that has been financed by Vnesheconombank since 2010. The plant's launch contributed to the setup of a new regional industrial complex in the Lower Angara basin by solving the issue of electricity supply to a number of large industrial facilities of the region and by prompting the development of related economic sectors. At the same time, Boguchany HPP has increased the share of renewable energy generated in Russia.

The plant is being constructed as part of the General Layout of Electricity Facilities until 2020 approved by the Resolution of the Russian Government dated 22 February 2008 and the Integrated Development of Lower Angara Basin investment project approved by the Resolution of the Russian Government dated 30 November 2006 and implemented with government support using funds of the Investment Fund of the Russian Federation.

The project involves cutting-edge technologies that

minimise its environmental footprint, including from a more than 350 km long water reservoir built in the valley of the Angara River. The project initiators ran its social and environmental evaluation in line with the requirements of Russian laws, and international standards, including the Equator Principles and guidelines of IFC and the World Bank Group. All 9 hydro units of the Hydro Power Plant have already been commissioned, with the reservoir bed currently being filled to the designed level.

## 2.5 DEVELOPMENT OF THE AGRICULTURAL INDUSTRY

*We are actively involved in efforts aimed to provide Russian consumers with high quality agricultural products of domestic origin. Under Vnesheconombank's Development Strategy for 2015–2020, agricultural projects will be included in the Bank's investment priorities. These efforts have become particularly important in the light of restrictions on imports of some foods of foreign origin to Russia imposed in 2014. Setting up domestic import-substituting businesses will require considerable investments.*

As at the end of 2014, the share of agricultural projects in Vnesheconombank's loan portfolio was **8.6%**. Agricultural projects account for **20%** in the breakdown of projects approved by the Bank for financing in 2014.

Vnesheconombank's Memorandum on Financial Policies lists the agricultural industry among sectoral priorities of the Bank's investment activities. While acting as the national development institution, we have provided financial support to a number of agricultural businesses in the Bryansk, Tver, Tula, Rostov and Chelyabinsk Regions.

At present, Vnesheconombank considers as one of its most important strategic priorities its involvement in the State Programme for the Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Food for 2013–2020 including and subject

to amendments made to the Programme by Russian Government Regulation No.1421 dated 19 December 2014. The updated Programme is enhancing government support to the agricultural industry in such areas as development of open and covered ground vegetable planting and potato seed planting, dairy cattle breeding, pedigree work, selective breeding programmes, seed growing, wholesale distribution centres and the social catering system infrastructure, and development of the financial and credit system in the agricultural industry.

The Programme's expansion is driven by the need to ensure the country's food security by building a domestic production framework capable of meeting the growing demand by the Russian population. About RUB 187.9 bn are planned to be allocated from the government budget in 2015 to implement the Programme, while the overall government support to the Programme will be RUB 2,126.2 bn.



## Vnesheconobank's Projects Aimed to Develop the Agro-Industrial Sector

Since we have been acting as a development institution, our governing bodies have approved our involvement in

**29 projects**



As at the end of 2014, Vnesheconobank has been involved in the financing of

**23 projects**



In 2014, Vnesheconobank's governing bodies approved its involvement in the financing of

**2 projects**



### Project: Increasing the Capacity of a Highly Productive Beef Cattle Breeding Facility and a Cattle Slaughtering and Primary Processing Facility

**Project initiator:** Miratorg Agribusiness Holding  
**Borrower:** OOO Bryansk Meat Company  
**Total project value:** RUB 49.0 bn  
**Vnesheconobank's commitment:** RUB 41.7 bn  
**Expected number of new jobs:** 1,577  
**Project goal:** further develop Europe's largest and Russia's unique animal breeding facility

Vnesheconobank has been supporting Miratorg's animal breeding facility since 2010. The facility produces 60 thousand tonnes of meat every year. As a result of previous successful experience of relations with the company, 33 new farms and an advanced cattle slaughtering and processing plant for 400 thousand heads were built; 112 thousand heads of breeder cattle were purchased; and over 200 thousand hectares of agricultural land were re-cultivated.

For its participation in the financing of the facility, Vnesheconobank received the 'Best Deal of 2012' award by British Trade Finance.

As part of the project, the existing capacity of the facility will be built up to 120 thousand tonnes of premium beef per year. The project also provides for 31 new farms to be constructed, another 90 thousand heads of highly productive breeding stock to be acquired, agricultural

machinery for fodder conservation to be purchased, an in-house fodder infrastructure to be set up.

This project is of nationwide importance and aims to contribute to the country's food security and import substitution. The Russian Government has instructed the provision to OOO Bryansk Meat Company of a subsidy from the federal budget to reimburse interest payable on investment loans for the period until 2030.

# 03

Development  
of Economic  
Potential





### 3.1 SUPPORT TO SMEs

*Our strategic goal in supporting SMEs consists in providing a better access to long money sources for those SMEs that facilitate a more competitive economy, create new highly productive jobs and work towards regional sustainability.*

In total, Vnesheconombank provided SME Bank with **RUB 71.5 bn** for support to SMEs, including **RUB 2.06 bn** in 2014.

Vnesheconombank plays the leading part in the implementation of the national SME development policy. Since 2007, we have been successfully carrying out the Programme for Financial Support to SME operated by our subsidiary, SME Bank. Since 2013, SME Bank has also been putting in place a mechanism for guarantee-based support to medium-sized enterprises that are not involved in the production and processing of mineral resources.

Apart from SME Bank, the development of the SME segment is also strongly supported by other entities of the Group, first of all by VEB-Leasing that promotes leasing services in the SME segment, and Globex-bank and Sviaz-Bank that are running their own SME lending programmes.

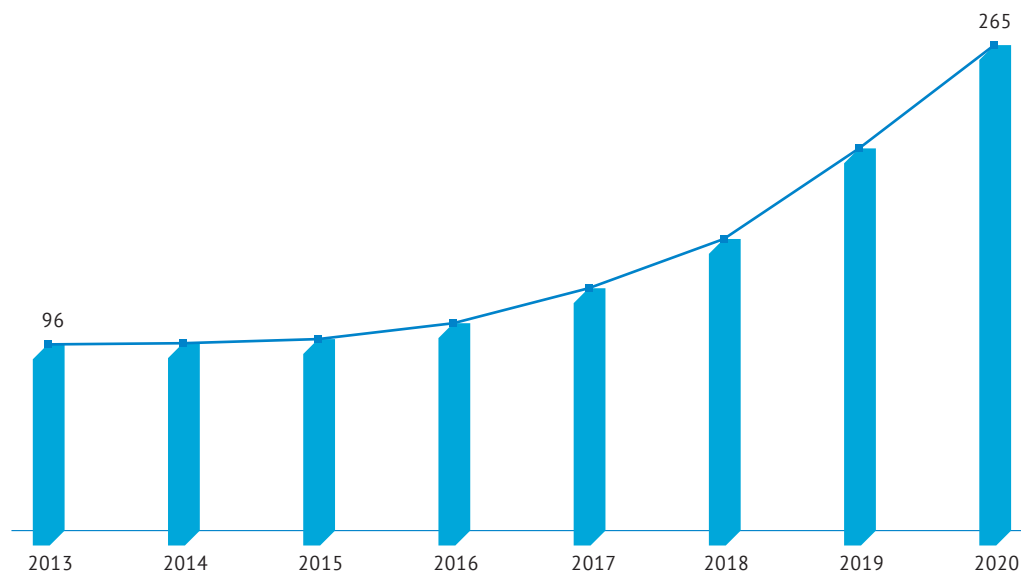
Vnesheconombank's Development Strategy for 2015–2020 provides for further increase in the amount of funds allocated to SME that is planned to reach RUB 225–265 bn under the modernisation scenario by the end of 2020.

By implementing its programme for financial support to SME, Vnesheconombank is planning to achieve the following by the end of 2020:

- / secure up to 5.6% of the overall financing of SME forecast for late 2020 by allocating RUB 180 bn for long-term (over 3 years) support to SMEs;
- / provide RUB 175 bn of support to non-trading SMEs by increasing the programme's share in the market of loans to non-trading SME to 4.5%;
- / create or upgrade each tenth highly productive job in the SME segment.

In 2014, the Russian Government decided to extend the maturity of its RUB 30 bn deposit of funds from the National Wealth Fund with Vnesheconombank until the end of 2027. The money was deposited to secure the resources for the implementation of the programme for financial support to SMEs. This decision will also work towards the successful achievement of the strategy's targets.

Funds allocated to SMEs under the modernisation scenario (RUB bn)



## State of the SME Market: Challenges and Outlooks

There are currently about 5.6 mn of small and medium-sized enterprises in Russia, with only each fourth employee employed officially.

With the macroeconomic situation going downhill in 2014, the SME lending market showed a poor performance. SME input in GDP was about 20–21%, which does not exceed the post-crisis level of 2011–2013. At the same time, the number of new SMEs went down to 1.7% against 3% in 2013.

SME growth mostly slowed down due to weaker lending and tougher access to loans. Thus, in 2014, the share of loans with maturities exceeding 3 years in total loans to SME was only 11.5%, while

*With the Russian economy passing through such turbulent times, it is small and medium-sized businesses that are able to smooth down negative processes in the employment market, ensure social adaptation of those employees that leave large enterprises, and build new market niches and economic growth centres.*

Aleksey Ulyukayev  
Minister of Economic Development  
of Russia

average weighted interest rates were continuously rising, and requirements to collateral and the financial situation of borrowers growing stricter.

## State of the SME Market

Loans issued to SME

7,610.59 RUB bn

Outstanding debt by SME

5,116 RUB bn

Distressed debt by SME

394.4 RUB bn  
7.7% in the total SME loan portfolio

Average weighted interest rates on loans to SME

14.92%  
for > 1-year loans

16.09%  
for < 1-year loans

### Performance dynamics as compared to 2013

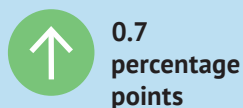


5.6%

4-year low since 2011



0.9%



0.7 percentage points



209 basis points year-on-year



360 basis points year-on-year

Ensuring SME growth by reducing financial and administrative costs is one of the priorities set out in the plan on Priority Measures to Ensure Sustainable Economic Development and Social Stability in 2015 approved by the Russian Government in 2015.

The plan provides for doubling the maximum revenue required for business entities to be classified as SME, expanding the range of measures designed to support innovative small-sized enterprises and reducing excessive tax burden that puts a drag on SME growth.

## Outcomes of the Programme for Financial Support to SMEs

RUB 100.89 bn were allocated to SMEs under the Programme for Financial Support to SMEs as at the end of 2014.

The Programme for Financial Support to SME seeks to provide credit support to SMEs from key customer segments of SME Bank. According to SME Bank's strategy for the period until 2020 approved in 2014, the bank is to re-focus

on new customer segments that include SMEs operating in single-industry towns and in regions with a challenging social and economic situation, SMEs that are residents of industrial parks, and SMEs that produce goods and services for large businesses and government-sponsored companies, including as part of government procurement.

Another key focus area of SME Bank consists in long-term financing of SMEs, which has become particularly important with access by SMEs to long money shrinking.

SME Bank is also responsible for building the market of instruments to refinance assets related to bank loans to SMEs. To this end, SME Bank is planning to engage in deals for securitisation and guaranteeing of loan portfolios of commercial banks operating in the SME segment.

SME Bank is implementing this programme using a two-tier mechanism by financing SME via a network of partner banks and entities from a supporting infrastructure. Loans are issued to SME on a long-term basis at interest rates that are far below average market rates, which is a key criterion of the Programme's efficiency. As at the end of 2014, the share of loans with maturities over 2 years issued under

the Programme reached almost 91%, with an average weighted interest rate of 12.73% p.a.

While the market of bank loans to SMEs was collapsing, SME Bank was able to increase its SME support portfolio by 2% under the SME Programme. This was made possible, among other things, by the Programme's focus on regions with unfavourable economic climate and an underdeveloped framework of support to SMEs. As a result, SME Bank was able to achieve a rather high share of penetration in the lending system across a large number of regions.

### Key Development Areas of the Programme for Financial Support to SMEs under SME Bank's Strategy for 2015–2020



**Long-term loans to SMEs**



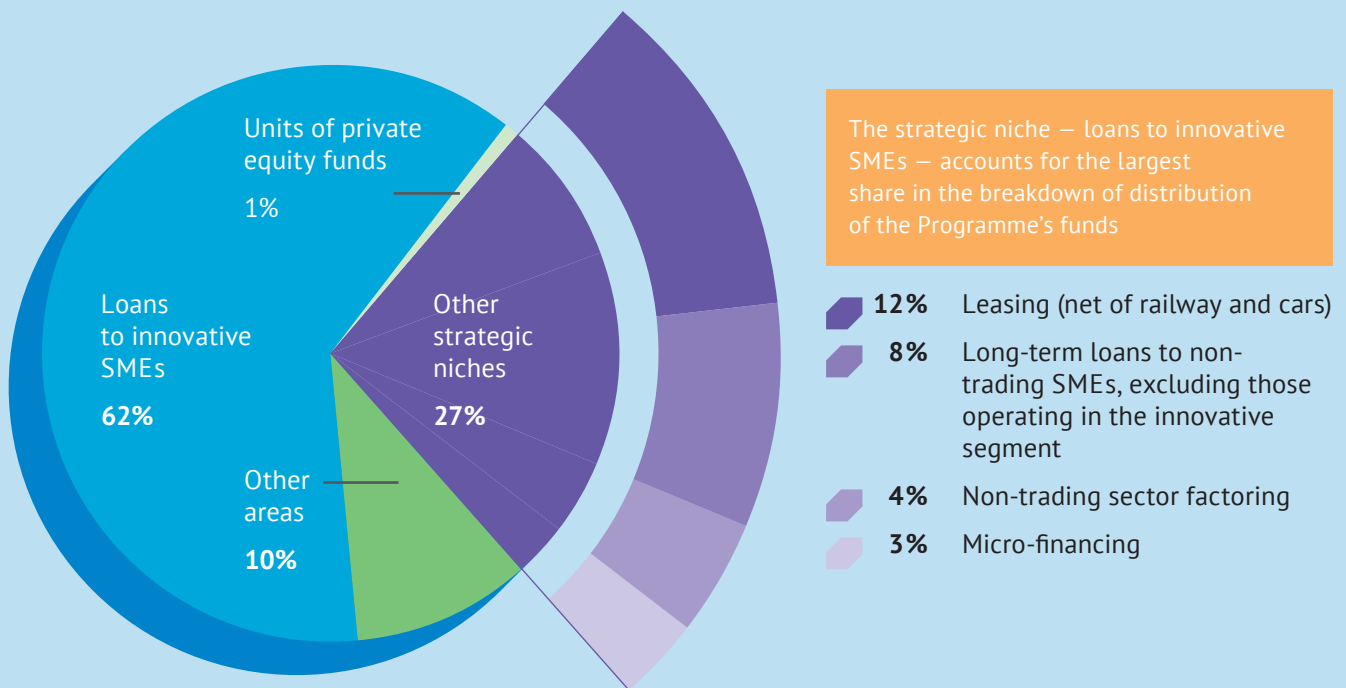
**Loans to SMEs in industrial parks**



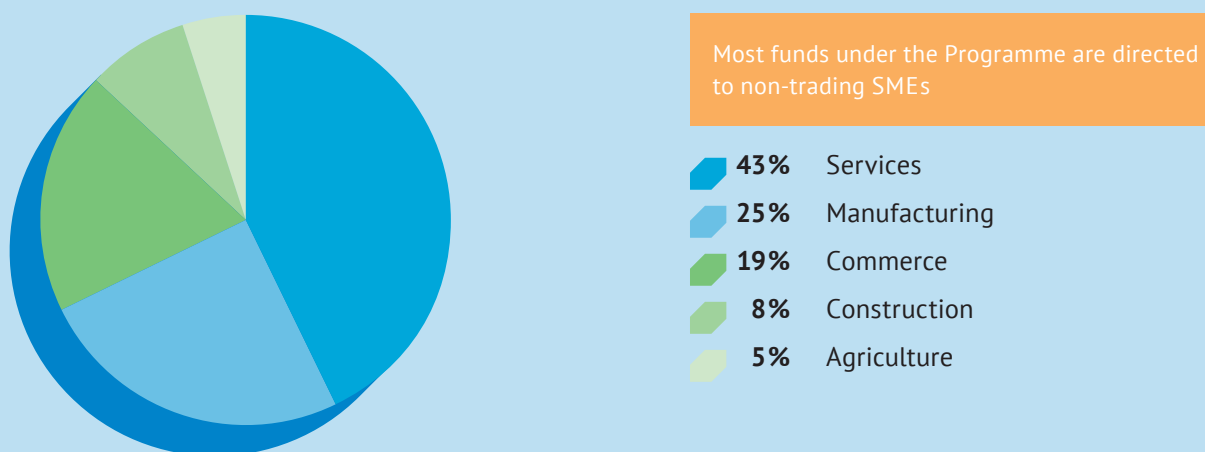
**Loans to SMEs in single-industry towns and national development priority regions (Far East, North Caucasus and Crimea)**

## Breakdown of Distribution of Funds under the Programme for Financial Support to SMEs as at the End of 2014

Breakdown of the Programme's funds by area of support to SME

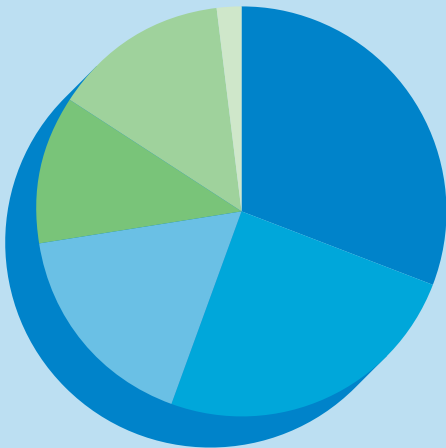


Breakdown of the SME loan portfolio by sector





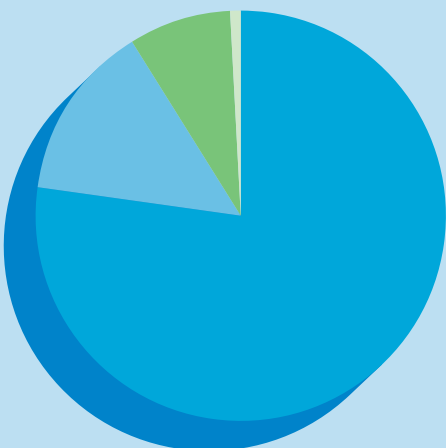
**Breakdown of the Programme's funds by loan size**



The loan portfolio is dominated by large and medium deals from RUB 20 mn and above

- **30%** Above 50 mn roubles
- **25%** From 20 to 50 mn roubles
- **17%** From 10 to 20 mn roubles
- **12%** From 5 to 10 mn roubles
- **14%** From 1 to 5 mn roubles
- **2%** Below 1 mn roubles

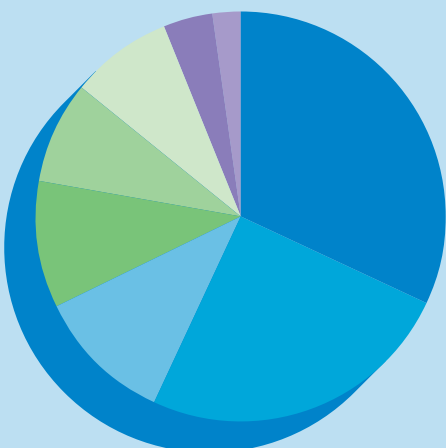
**Breakdown of the Programme's funds by loan maturity**



Maturities of most loans to SMEs exceed 3 years

- **77%** Above 3 years
- **14%** From 2 years to 3 years
- **8%** From 1 year to 2 years
- **1%** Below 1 year

**Breakdown of the Programme's funds by Federal District**



A considerable share of the Programme's funds is allocated to regions with an underdeveloped SME segment

- **32%** Central Federal District
- **25%** Volga Federal District
- **11%** Southern Federal District
- **10%** North Western Federal District
- **8%** Siberian Federal District
- **8%** Urals Federal District
- **4%** Far Eastern Federal District
- **2%** North Caucasian Federal District

## Outcomes of the Implementation of the Two-Tier Mechanism of Support to SMEs



### Project: Production of Non-Ore Construction Materials

**Project initiator (SME):** OOO Aktivist (Republic of Tatarstan, Kazan)  
**Total project value:** RUB 200.03 mn  
**SME Bank's commitment:** RUB 138.39 mn  
**Project goal:** build a dredger – a floating engineering facility designed for underwater digging and cleaning of water bodies, dredging and extraction of non-ore building materials

As a result of the project, the Volga and Kama River Basins will get the only local dredger that will allow producing sand and gravel mix at depths up to 30 m. The dredger will include a gravel plant

to sort and enrich feedstock on the spot. This project will supply the Republic of Tatarstan and adjacent regions with gravel and sand that are a prerequisite for any growing construction industry. High construction rates

in the Republic of Tatarstan, a leader in the new housing commissioning rates in Russia, make the project extremely important.

## Guarantee-Based Support to Medium-Sized Enterprises

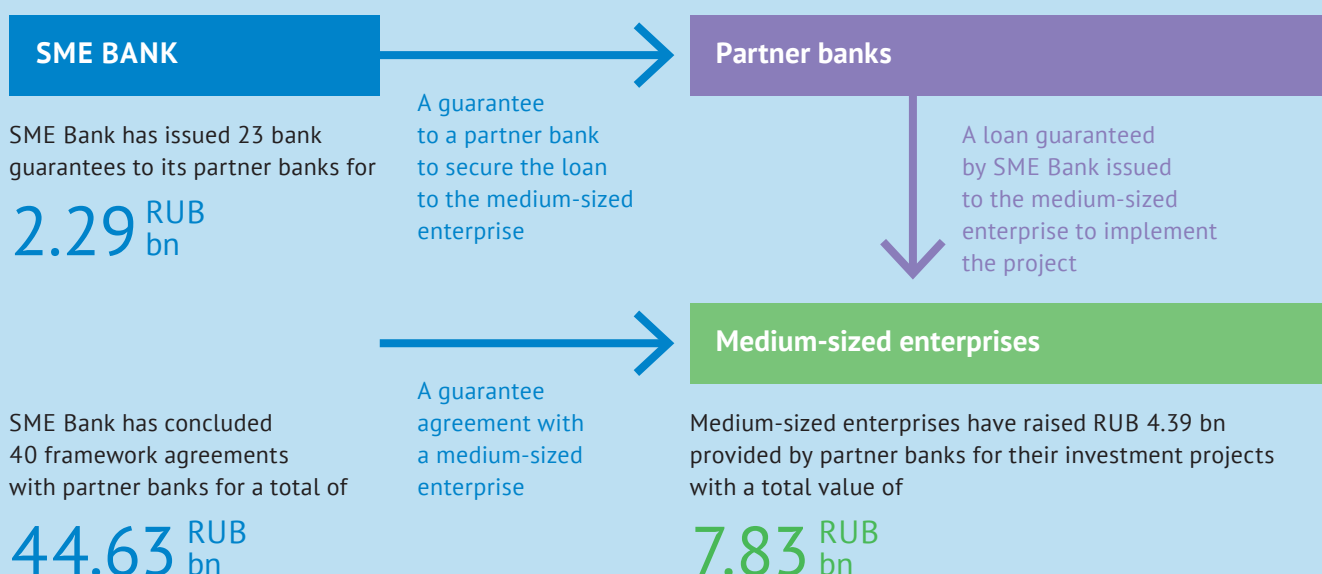
The guarantee-based mechanism has enabled medium-sized enterprises to raise **RUB 4.39 bn** of bank loans.

In 2014, SME Bank kept implementing its guarantee-based mechanism of support to medium-sized enterprises that had been previously initiated in line with a relevant Executive Order of the Russian President. The mechanism is expanding capabilities of medium-sized enterprises in raising loans from lending institutions to support their investment projects. The support is provided to medium-sized enterprises that are unrelated to production and processing of mineral resources.

As the operator of this guarantee-based mechanism, SME Bank issues guarantees to medium-sized enterprises on their obligations to their lending banks up to 50% of the loan. Guarantee obligations of SME Bank are fully secured with a bank guarantee by Vnesheconombank, which in its turn is 50% backed with a government guarantee of the Russian Federation.

The amount of guarantees to be provided by SME Bank as part of this guarantee-based mechanism of support to medium-sized enterprises is planned to be RUB 40 bn. The mechanism is expected to help medium-sized enterprises raise up to RUB 80 bn of loan resources.

### Implementation of the Guarantee-Based Mechanism of Support to Medium-Sized Enterprises





## Project: Derevenskoye Molochko

**Project initiator (SME):** OOO Derevenskoye Molochko (Seversk, Tomsk Region)  
**Total project value:** RUB 139.32 mn  
**SME Bank's commitment:** a RUB 100 mn investment loan via Levoberezhniy Bank and a RUB 50 mn guarantee to secure the bank's loan  
**Project goal:** upgrade production facilities of the curd shop by installing a closed-type curd line and soft cheese production equipment

As part of the project, the company will undertake a range of measures to improve the process of making its traditional dairy products and launch a new soft cheese

production line. By expanding its product mix, the project initiator that operates in the SME segment will be able to reach a fundamentally new level in the market. The project will

also enable the company to cut down the share of manual labour and mitigate microbiological risks by eliminating intermediate stages from the dairy production process.

## Pilot Baltic Initiative

RUB 3.46 bn of loans were issued to SME in the scope of the Pilot Baltic Initiative.

Vnesheconombank is implementing the Pilot Baltic Initiative developed under the auspices of the Russian and German Ministries of Foreign Affairs together with KfW, a German banking group. The Initiative aims to support non-trading SMEs from Russian regions adjacent to the Baltic Sea: the Kaliningrad, Leningrad, Novgorod and Pskov Regions and Saint Petersburg.

In 2012, as part of the Baltic Initiative, KfW issued a USD 110 mn 5-year loan to Vnesheconombank. In the scope of the Initiative, SME Bank is extending loans to SMEs via a network of partner banks. As at the end of 2014, the loan to KfW was partially repaid, with USD 64.8 mn of the loan facility still available to SME Bank.

In 2014, SME Bank agreed with the German party to sign a supplementary agreement that would entitle SME Bank to lend partner banks from its own resources that can be replaced with KfW funds. This step has considerably increased the number of SMEs involved in the project.

## 3.2 SUPPORT TO EXPORTS

*Increasing Russia's export potential is among the country's priority objectives that aim to ensure sustainable development of the Russian economy in an adverse external economic context. Vnesheconombank plays a leading part in building a robust system to support national exports. As such, the Bank is using an integrated approach to expand and improve existing mechanisms of support to Russian industrial manufacturers.*

As at the end of 2014, Vnesheconombank's export financing portfolio was RUB 259.86 bn (USD 4.62 bn) and included 33 loan agreements and 332 guarantees.

To increase national non-commodity exports, primarily high-tech products, we are providing financial and guarantee support to Russian exporters and foreign importers of Russian non-commodity products. In 2014, Vnesheconombank and the Group's entities were fully involved in projects provided for in documents approved by the Russian Government and in individual resolutions of the Russian Government and relevant

ministries, including the roadmap known as 'On the Support of Access to Foreign Markets and the Support of Exports'. An important outcome of these activities was that Vnesheconombank Group has set up a single centre of competence to provide credit and insurance support to exports by transferring 100% equity less 1 share in Eximbank of Russia to EXIAR.

To achieve the goals of its Development Strategy for 2015–2020, Vnesheconombank will have to face an ambitious task of building up support for Russian non-commodity exports and implementing international business projects. Achieving these goals will considerably enhance our role in increasing the export potential of the Russian economy and making Russian exporters more competitive in global markets.

### Key Areas of Export Support by Vnesheconombank in 2014

#### Key target sectors

- Aircraft industry
- Space and rocket industry
- Heavy, transport, speciality and energy machine building
- Nuclear industry, including nuclear energy
- Information and communication systems

#### Key target regions

- CIS
- South-Eastern Asia
- Africa
- Latin America



## Project: Supply of Sukhoi Superjet 100 Passenger Aircraft to Mexico

**Project initiator:** Sukhoi Civil Aircraft

**Project goal:** support the exports of 20 Sukhoi Superjet 100 passenger aircraft acquired by Mexican airlines Interjet

As part of the project, Vnesheconombank took part in the financing of supplies of Russian aircraft to Mexico as a member of a consortium of major international banks that comprised Natixis (France), Intesa Sanpaolo SpA (Italy), Deutsche Bank SpA (Italy) and Deutsche Bank AG (Germany). Sukhoi Superjet 100 airliners purchased as part of the project are already actively used by Mexican airlines

Interjet for regional flights, including in Alpine conditions for flights to airports of Mexico and Toluca located at altitudes of more than 2 thousand metres. Interjet is planning to acquire another 10 SSJ 100 options in the nearest term.

The mechanism used in the project provides for involvement of a Russian bank as a member of the consortium of international banks

in financing of supplies to a third-party country. It is unique for both the Russian and international markets. The project has been positively acclaimed by a wide range of media and received awards from such international editions as Global Transport Finance, Trade & Forfaiting Review and Global Trade Review. This project has marked the emergence of an international aircraft financing centre of competence in Russia.

## Improving the Export Support System

We are coordinating export support operations of the Group's subsidiaries to deliver the maximum synergy effect chiefly relying on a variety of financial and non-financial tools of support to both run-of-the-mill and the most sophisticated export projects in any non-commodity sectors.

In order to improve the way the Group's entities interact between each other, the Bank has developed a Procedure for providing Vnesheconombank and its subsidiaries with financial support to supply Russian high-tech products to external markets. The Procedure allows us to examine applications from foreign buyers and Russian exporters within shorter timelines,

and to offer competitive interest rates on loans to finance Russian exports, including through insurance support provided by EXIAR.

In 2014, Vnesheconombank continued implementing a range of measures to integrate OECD's requirements to export support into Vnesheconombank Group's operations. For this purpose, the Bank approved its Procedure for Organisation of Anticorruption Expert Evaluation of Projects Financially Supported by the Government that captures the OECD Council's Recommendation on Bribery and Officially Supported Export Credits adopted on 14 December 2006.

Another important area of our work consists of involvement in strategic initiatives aimed at implementing the government policy on export support and foreign economic affairs. In 2014, the Bank was actively engaged in the development of a draft national export strategy of Russia until 2030.

In order to facilitate international development and promote the interests of Russia abroad, the Bank has also signed an agreement with the Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation.

## Non-Financial Mechanisms of Support to Exports

As a coordinator of comprehensive support to exports of Russian goods, works and services, we provide Russian and foreign market players with comprehensive assistance that includes non-financial mechanisms of support driven by advanced highly efficient approaches to the organisation of business communications.

The 'Financial Support to Russian Exports'<sup>5</sup> system launched in 2014 is a breakthrough tool that ensures remote one-stop shop

interaction between exporters, foreign buyers of Russian products and Vnesheconombank Group. The system operates via an Internet portal that can be used by organisations to apply to Vnesheconombank Group for financing. The previously launched exporter information and advisory support service operating through the official website of Vnesheconombank was also continuously operating in 2014.

<sup>5</sup> [www.veb.ru/en/strategy/export](http://www.veb.ru/en/strategy/export).

### Online Export Support Tools

#### 'Financial Support to Russian Exports' One-stop shop system

For foreign buyers of Russian products and Russian exporters

- The Internet portal allows sending an initial application for an export project or register, which expands the applicant's capabilities in cooperation with Vnesheconombank Group
- On examining the application, Vnesheconombank informs the applicant whether the Bank would continue working with the export project
- Registered users can track the progress on their application via their personal profile page in real time

#### Help desk for information and advisory support to exporters

For Russian exporters

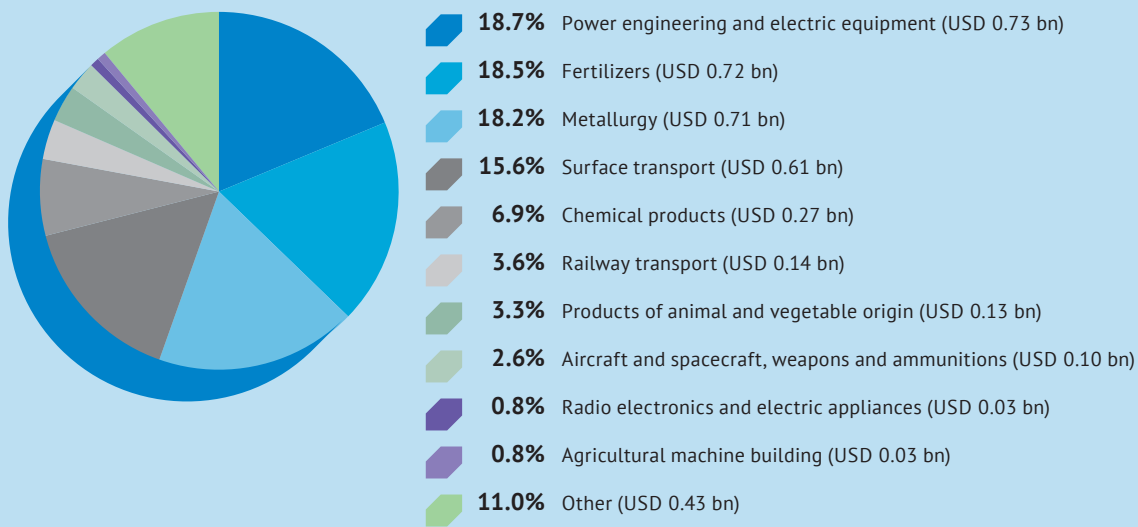
- This service provides information on key export financing areas of Vnesheconombank Group, including information that allows identifying potential project financing tools

## EXIAR's Support to Exports

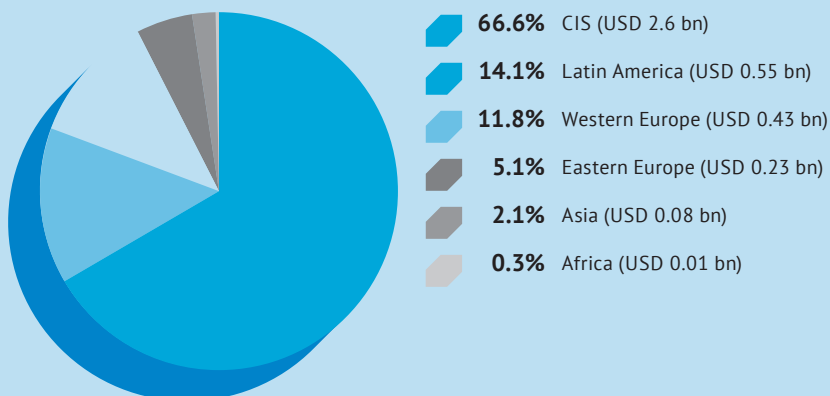
In 2014, EXIAR supported **USD 3.9 bn** of exports, including USD 43.98 mn in the SME segment.

The key strategic aim of EXIAR is to increase support to exports and maximise access to services of the agency by representatives of various Russian business groups. As a specialised public institution for support to exports, the agency is also fully involved in the development of the public export support system and mechanisms.

### Breakdown of Export Support by EXIAR in 2014 by Sector



### Breakdown of Export Support by EXIAR in 2014 by Region





EXIAR provides insurance coverage to protect Russian export loans against business and political risks, protect Russian investments abroad against political risks and support export-oriented SMEs. These measures serve to support exports by Russian companies, including exports of high-tech products.

In 2014, the Russian Government authorised EXIAR to provide extended insurance for individual export projects covering up to 100% of the project. The list of recipients of EXIAR's insurance support are now available not only to Russian exporters, banks and foreign buyers of Russian products, but also to factoring and leasing companies, and international financial organisations. Insurance coverage provided by EXIAR is subject to mandatory

measures provided for in EXIAR's Procedure for Preventing Bribery of Foreign Officials prepared based on OECD Council's Recommendation on Bribery and Officially Supported Export Credits.

Since July 2014, EXIAR has been applying EXIAR's Procedure for Due Diligence of the Environmental and Social Impact by Export Loans and Investments based on the OECD Council's Recommendation on Common Approaches to Officially Supported Export Credits and Environmental and Social Due Diligence. The Procedure provides for screening of transactions submitted to the agency for review to identify the need of a due diligence of environmental and social risks. In 2014, EXIAR ran a due diligence of 15 projects in line with the new procedure.



## Project: Altai Flour Mills

**Project initiator:** Altai Flour Mills

**EXIAR's commitment:** USD 3 mn

**Project goal:** support exports of agricultural products by grain processing companies of the Altai Territory

The 'Altai Flour Mills' project has been created by major independent grain processing companies of the Altai Territory to promote Russian agricultural products internationally.

The company exports grain processing products, including high added-value products.

As part of the project, EXIAR insures exports of Altai Flour

Mills company and covers its political risks. The company's products are supplied on payment deferral terms, including under the UN World Food Programme.

### 3.3 DEVELOPMENT OF PUBLIC PRIVATE PARTNERSHIPS

*In our efforts to assist public and local self-government authorities in procuring investment projects based on Public Private Partnership (PPP) principles, we aim to raise private financing and take advantage of private business expertise to address public infrastructure development issues. By fostering efficient relations between the public and private sectors, we make Russian regions more attractive for investors, facilitate the emergence of new and expansion of existing facilities, and contribute to higher living standards for the population.*

In 2014, FCPF started the procurement of 12 new PPP-based regional and urban development projects.

Vnesheconombank runs a range of initiatives for financial and non-financial assistance to public and local authorities in procuring investment projects aimed at developing public infrastructure on a PPP basis.

#### Forms of FCPF's Assistance to Public and Local Authorities with Procurement of Regional and Urban Development Projects



**Financial assistance**

- Targeted loans
- Injections of capital into project vehicles created by initiators for the project procurement
- Factoring (financing of advisory and project organisations against assignment of rights of claims to government and municipal customers)
- Investment advisory services on procurement of development projects, including on commercial loan terms and with potential assumption of risks related to successful commercial and/or financial closing



**Non-financial assistance**

- Investment advice for project initiators (preparation or review of the project's feasibility study, financial modelling and investment analysis of the project; organisation of legal drafting; engagement of interested private investors in bidding procedures; organisation of financial closing)
- Standardisation of requirements to procurement of PPP projects, including contractual and bidding documentation
- Building the legal framework for PPP projects
- Developing the system for retraining of government and municipal management of PPP issues

The focus areas here include providing investment advisory services on how to procure PPP projects, improving the PPP legal and regulatory framework, and raising awareness about PPP issues.

The Federal Centre for Project Finance (FCPF) plays the leading role in providing financial and non-financial assistance in procurement of PPP-based investment projects.

FCPF is a professional financial company of Vnesheconombank Group that provides procurement support for regional and urban development projects that are to be implemented using private financing. Under Vnesheconombank's Development Strategy, FCPF is planning to take part in the procurement of 129 regional and urban development projects until the end of 2020. A total of RUB 16.2 bn will be invested in their procurement.

## FCPF's Focus Areas in Assisting Public and Local Authorities with the Procurement of Regional and Urban Development Projects

### Development of urban and road infrastructure

- Road transport and airport infrastructure
- MSW management

### Development of social infrastructure

- Healthcare
- Social security
- Tourism

### Integrated territorial development

- Industrial parks
- Regional large-scale industrial construction projects
- Urban agglomerations



### Project: Construction of the Omsk-Fyodorovka Airport on PPP Terms

**Total project value:** starting from RUB 16.2 bn

**Completion of the project procurement:** 2016

**Project goal:** create an airline hub of international standard in the Omsk Region and implement the Executive Order of the Russian President dated 11 June 2009 on the construction of the Omsk-Fyodorovka Airport

The project will allow decommissioning the existing Omsk (Tsentralny) Airport located 3 km away from the centre of Omsk and surrounded with residential communities, which goes against take-off and landing safety requirements, sanitary standards on noise and electromagnetic impact, and environmental requirements.

Taking airport activities outside the city's boundaries will help to unlock Omsk' development opportunities by removing existing constraints and developing the left-bank territory of Omsk that occupies about 10 thousand hectares. The project will also facilitate safer flights due to better take-off and landing conditions and ability to handle modern aircraft.

The new airport will also encourage population mobility and increase accessibility of transport services for local residents. The airport will be able to handle the expected passenger flow in the area adjacent to Omsk, which will come at about 3 mn passengers by 2038.

## Investment Advice and Monitoring

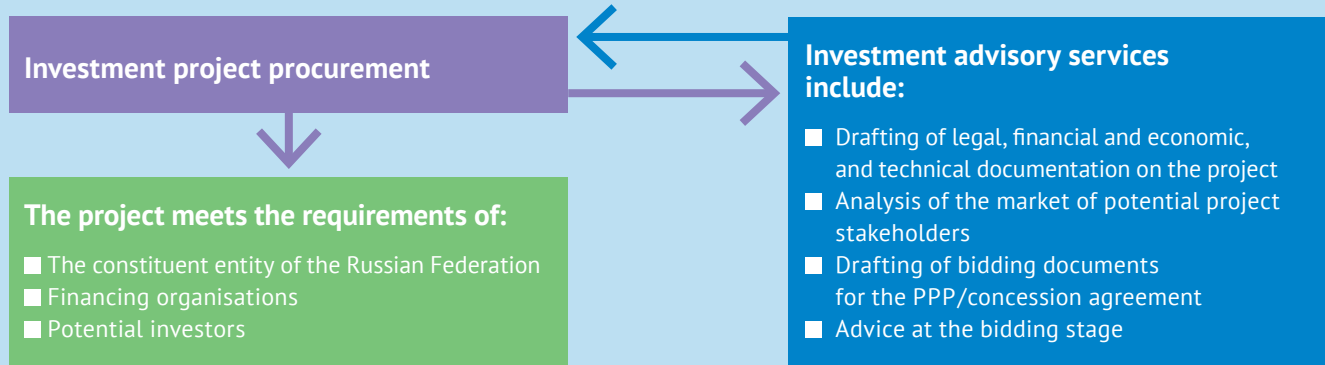
In 2014, Vnesheconombank provided investment advisory services for a total of RUB 104.9 mn for 7 PPP-based projects and monitored implementation of more than 10 government-backed projects.

PPP-based investment projects. In this area, the Bank provides support to public and local authorities in implementing sectoral, regional and municipal strategies to develop public infrastructure on PPP terms.

Vnesheconombank also acts as a financial advisor to the Russian Government on projects that have applied for allocations from the Investment Fund of the Russian Federation and follows up how investors are spending the money to implement projects financed by the government using the funds of the Investment Fund of the Russian Federation.

Under a relevant resolution by the Russian Government, we are the only provider of investment advisory services for public needs of Russian regions in terms of procuring

### Investment Advisory Services



## Legislative Initiatives on the Development of PPP Mechanisms

As at the end of 2014, laws on involvement of Russian regions in PPP projects were operating in 69 constituent entities of the Russian Federation, including 4 laws adopted in 2014.

In 2014, Vnesheconombank continued its involvement in the finalisation of the draft Federal Law 'On the Fundamentals of Public-private Partnership in the Russian Federation' that was adopted by the State Duma of the Russian Federation in the first reading in 2013.

The Law is intended to remove existing legal restrictions on raising private investments in modernisation and greenfield construction of public infrastructure, and to determine the general evolution vector of PPP legislation at all levels of government.

As a result of these efforts, the draft law was prepared for the second reading with a new title: 'On the Fundamentals of Public-private Partnership and Municipal Private Partnership in the Russian Federation, and On Amendments to Certain Legal Acts of the Russian Federation'.

## Building the Talent Pool for PPP Development

In 2014, the first graduates of the PPP Chair completed their two-year master programme on PPP Project Management: a total of **15 graduates**.

In order to promote the market of PPP projects, we are supporting the full range of training and retraining activities for employees of public and local authorities, commercial and non-commercial sector and development institutions involved in the implementation of projects that aim to develop public infrastructure.

The PPP Chair set up by the Financial University of the Russian Government jointly with Vnesheconombank in 2010 is Russia's first permanent PPP training platform.

FCPF and the State Company Russian Highways (Avtodor) became the Chair's partners in 2014.

The PPP Chair regularly organises career enhancement courses for professionals from Moscow and other Russian regions. The Chair also offers a two-year master programme 'Management of Public-Private Partnership Projects' and postgraduate courses, and runs research on PPP issues.

The PPP Chair is also planning to launch a further professional education programme 'Master of Public Administration (MPA)' in 2015 for executives of public and local authorities. The Chair is also preparing a joint project with the United Nations Economic Commission for Europe to set up a Russian Centre for Training PPP Specialists in Russia and CIS. The Centre will offer further education programmes drawing on the Chair's resources.

## Performance of the PPP Chair in 2014

### Career enhancement courses 'Management of Public-Private Partnership Projects across Russia'

- The career enhancement courses were held twice in 2014: from 24 March to 12 April and from 27 October to 15 November
- The courses were attended by 79 participants

### Two-year master programme 'Management of PPP Projects' majoring in 'Management'

- 15 students completed training under the programme in 2014
- 22 students continued training under the programme

### Postgraduate courses 'Economics and Management of the National Economy'

- 3 applicants participated in the research on the subject

# 04

## Improving the Investment Climate





## 4.1 RAISING INVESTMENTS

*Building a resource base that would provide the required level of investment for the development of the Russian economy is a pivotal pre-requisite for Vnesheconombank to efficiently act as the national financial development institution. In the context of constrained access to capital markets of the US, EU and other developed economies, our paramount task is to diversify international financing sources, mainly by intensifying our relationships with development institutions of Asia and the Middle East.*

In 2014, Vnesheconombank signed a **USD 500 mn** loan agreement with the Export-Import Bank of China to finance the project on the development of the northwestern block of the Elginskoye Coal Deposit in the Republic of Sakha (Yakutia).

Vnesheconombank takes long-term loans in the domestic and international capital markets to build the resource base required to expand its investment lending operations, maintain the cost of funding at an acceptable level and ensure its own financial stability. Key market borrowing instruments of the Bank include debt securities, bilateral and multilateral interbank loans and funds raised from international financial organisations and foreign development institutions.

In 2014, Vnesheconombank was borrowing from foreign capital markets in a challenging international political situation caused by sanctions imposed on the Bank by the US, EU, Canada, Switzerland, Japan and other countries that had considerably restricted

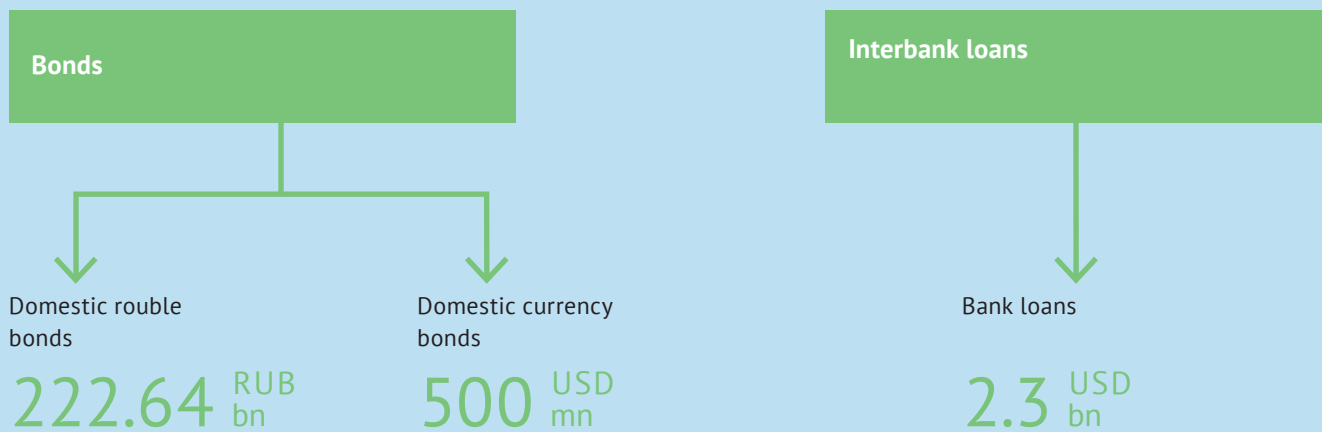
our access to foreign capital markets. We, however, have retained our ability to raise financing for import contracts made with counterparties from Europe and Asia.

In 2014, due to the sanctions, the Bank used domestic rouble- and USD-denominated bonds and bank loans as its principal sources of funding. We also worked on diversifying funding instruments and reducing service and refinancing risks with respect to previously taken financial obligations. For this purpose, we examined opportunities for raising debt in financial markets not covered by sanctions, including in Asian and Middle East countries.

In 2014, Vnesheconombank continued its relations with major financial groups, clubs and associations to raise foreign financing, and tap into expertise and knowledge of international financial organisations and development institutions, including the BRICS Interbank Cooperation Mechanism, Shanghai Cooperation Organisation Interbank Consortium (SCO IBC), Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Association of Export and Import Banks



## Borrowings by Vnesheconombank in 2014



of Northeast Asia, etc. As a result, we have entered into a number of agreements to co-finance projects and initiatives, including on energy efficiency. More details on the Bank's achievements in international relations are given in the 'Stakeholder Engagement' Section.

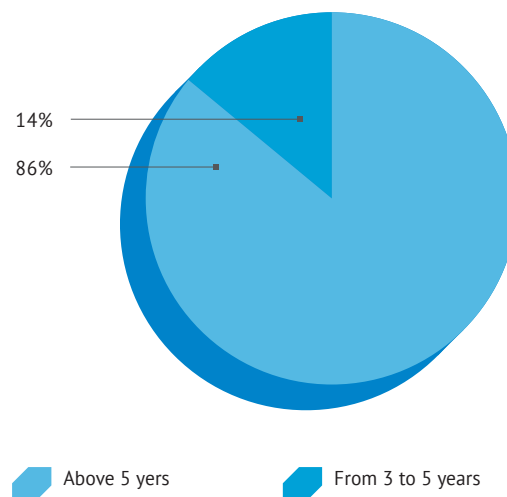
Under its Development Strategy for 2015–2020, the Bank is planning to expand international debt sources by entering new capital markets of the Asian-Pacific Region, Middle East and Central Asia countries. Efficient relations with sovereign funds of these countries, including using Islamic banking instruments, offer great opportunities in terms of the Bank's operations. In organising our borrowings in the Asian-Pacific Region, we are intending to take full advantage of the capabilities of VEB Asia, the Group's Hong Kong based subsidiary established in 2013.

To reduce the cost and increase availability of financial resources in capital markets, we are planning to use the government guarantee mechanism for debt raising and continue implementing responsible financing principles in the Bank's investment operations. We are also planning to build business relations with green funds that focus on investing in renewable energy,

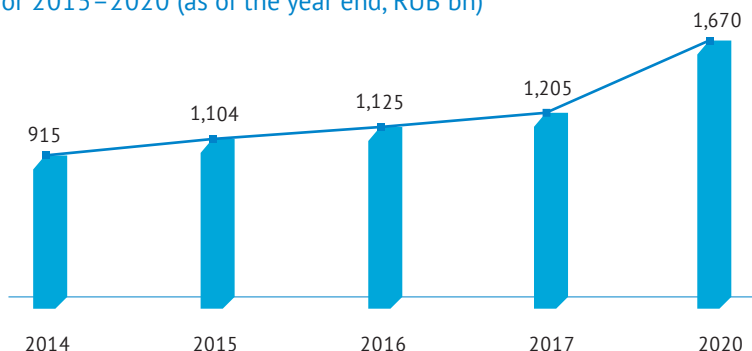
resource and energy efficiency, water supply and waste recycling projects.

Vnesheconombank considers raising funds in the domestic capital market as a potential substitution for foreign credit resources. This step will be facilitated by an issue of bonds guaranteed by the Russian Government. The Bank estimates the amount of debt that can be raised in the domestic market in 2015–2016 at RUB 224 bn.

Breakdown of borrowings made in the capital market in 2014 by maturity



Vnesheconombank's market borrowing trends under the modernisation development scenario for 2015–2020 (as of the year end, RUB bn)



Our development strategy also provides for additional loans to be issued to the Bank by government sources. Their amount will determine the Bank's capabilities for expanding its investment lending operations at the scale provided for in the modernisation development scenario. We assume that government support to the Bank will mainly include capital injections, subsidised government loans and other tools, including subsidies to cover interest rates under export and other contracts, and guarantees on loans issued and taken by the Bank.

## Activities of the Russian Direct Investment Fund

The Russian Direct Investment Fund managed by LLC RDIF Management Company plays the leading role in attracting foreign investments to the Russian economy. The Fund has been specifically created by Vnesheconombank Group for this purpose. The RDIF focuses on implementing a variety of measures aimed to attract domestic and foreign investments to the Russian economy and highly qualified professionals and innovative technologies.

The RDIF invests subject to mandatory co-financing by major institutional investors: private equity funds, sovereign funds and industry champions. The amount of the RDIF's investment may not exceed the co-financing level. The RDIF runs a detailed review of the projects financed by engaging at least two independent expert teams: from the RDIF and an international partner.

In 2014, the RDIF focused on attracting investments to those Russian industries that have sustainable competitive advantages. In selecting investment projects, the Fund also captured their potential in terms

of import substitution, enhancing efficiency of Russian companies and meeting the demand of the national economy for infrastructure investments.

In 2014, RDIF continued building long-term strategic partnerships with foreign investors by creating joint investment funds and platforms. These initiatives provide for joint investments by RDIF and foreign investors in long-term projects across a number of Russian industries and stronger trade and economic relations between countries represented by the partners.

## Projects Financed by RDIF in 2014

Projects of the Russia-China Investment Fund	Construction of LPG and light petrol products transhipment terminal in the port 'Ust-Luga'	Construction of logistics centres in the Moscow Region
Bridging the Digital Divide	Moscow Exchange	Cotton Way
Tigers Realm Coal	Construction of Smart Grid	

## Agreements Reached by RDIF on Creation of Investment Funds and Platforms as at the end of 2014

Russia-China Investment Fund	Mechanism of co-investment with the Government Bank of India
Mechanism of co-investment with the Arab Investment Fund 'Mubadala'	Mechanism of co-investment with the Sovereign Fund of Qatar
Russia-Japan Investment Platform	Russia-France Investment Platform
Russia-Korea Investment Platform	Mechanism of co-investment with the Sovereign Fund of Kuwait
Russia-Italy Investment Platform	Mechanism of co-investment with Mumtalakat, the Investment Arm of the Kingdom of Bahrain
Mechanism of co-investment with the Indian Infrastructure Corporation	



## Project: Bridging the Digital Divide

**Project implementer:** OAO Rostelecom  
**Total project value:** up to RUB 67.5 bn  
**Commitments by project stakeholders, including RDIF:** up to RUB 10.1 bn  
**Debt financing:** up to RUB 30.4 bn  
**Financing by the National Wealth Fund:** up to RUB 27 bn  
**Project goal:** construct a public utility system to provide access to the Internet in Russian localities with a population of 250 to 500 persons

The project provides for the construction of a communications network that would comprise about 200 thousand km of new optical fibre communication lines for access to the Internet at a rate of at least 10 Mb/s in 13.6 thousand localities. The solutions and methods used in the project meet international and Russian environmental safety requirements as confirmed by an independent advisor who ran an engineering review of the project.

The project is implemented in line with the Resolution by the Russian President dated 21 October 2013 to cover rural localities with a population of 250 to 500 persons with up-to-date communication services in 2014–2016. The project will also help to achieve the target for ensuring equal access to communication services and the Internet, set in the plan of the Russian Ministry of Communications and Mass Media for 2013–2018.

The project's results will contribute to the social and economic development of Russian regions and enhance accessibility of information resources to the wider population of the country, and to the creation of a new generation of communications infrastructure for schools, hospitals, post offices and public institutions. Moreover, the project will give a fresh impetus to the development of the construction and telecommunication industries, and enhance labour productivity through better communications.

## Operations of VEB Asia

The opening ceremony of VEB Asia was held in Hong Kong in May 2014.

A new subsidiary of Vnesheconombank Group, VEB Asia, was launched in Hong Kong in 2014. The company aims to involve investors from the Asian-Pacific Region in the financing of major projects implemented in the Russian Federation, expand access by Russian companies to Asian capital markets and promote Russian industrial exports in Eastern and South-Eastern Asia.

VEB Asia intends to become a full-fledged player in Russian-Chinese trade, economic and financial relations. Its presence in the region will help organise systemic support to operations of Vnesheconombank and the Group's entities in markets of the Asian-Pacific Region, provide information, analytical and administrative support to Vnesheconombank Group in implementing its in-house borrowing programme.

## VEB Asia's Performance in its First Year of Operation



### Focus areas in 2014

- Establishing partnerships with government entities, companies and other institutions of Hong Kong, mainland China and other countries of the Asian-Pacific Region
- Identifying the scope of potential partners and counterparties
- Identifying high-potential target projects
- Enhancing the image of Vnesheconombank in regional business communities



### Key highlights in 2014

- An agreement signed with China Finance Strategies Investment Holdings Ltd to set up the Russia-China fund of prospective investments that will focus on raising large private investments in high-potential Russian industries
- A quadripartite memorandum signed between AHML, Vnesheconombank, the National Bank for Development of China and VEB Asia on interaction under AHML's programme 'Russian Family Housing'
- Agreements signed with a number of Russian companies for cooperation in raising debt and investments in the Chinese and regional markets

## 4.2 DEVELOPING HR POTENTIAL IN THE INVESTMENT MARKET

*As the national development institution, we are inevitably responsible for building a favourable investment climate that facilitates the acceleration of the social and economic development of the Russian Federation. The Bank actively promotes the investment culture, enhances the potential of investment project stakeholders and implements best international practices of development banks. In pursuing these activities, we are placing particular emphasis on raising awareness among young people by building up their ability to get involved in innovation-driven modernisation of the Russian economy in the future.*

In 2014, 9 regional events were held as part of our educational project, with more than 500 participants trained during these events.

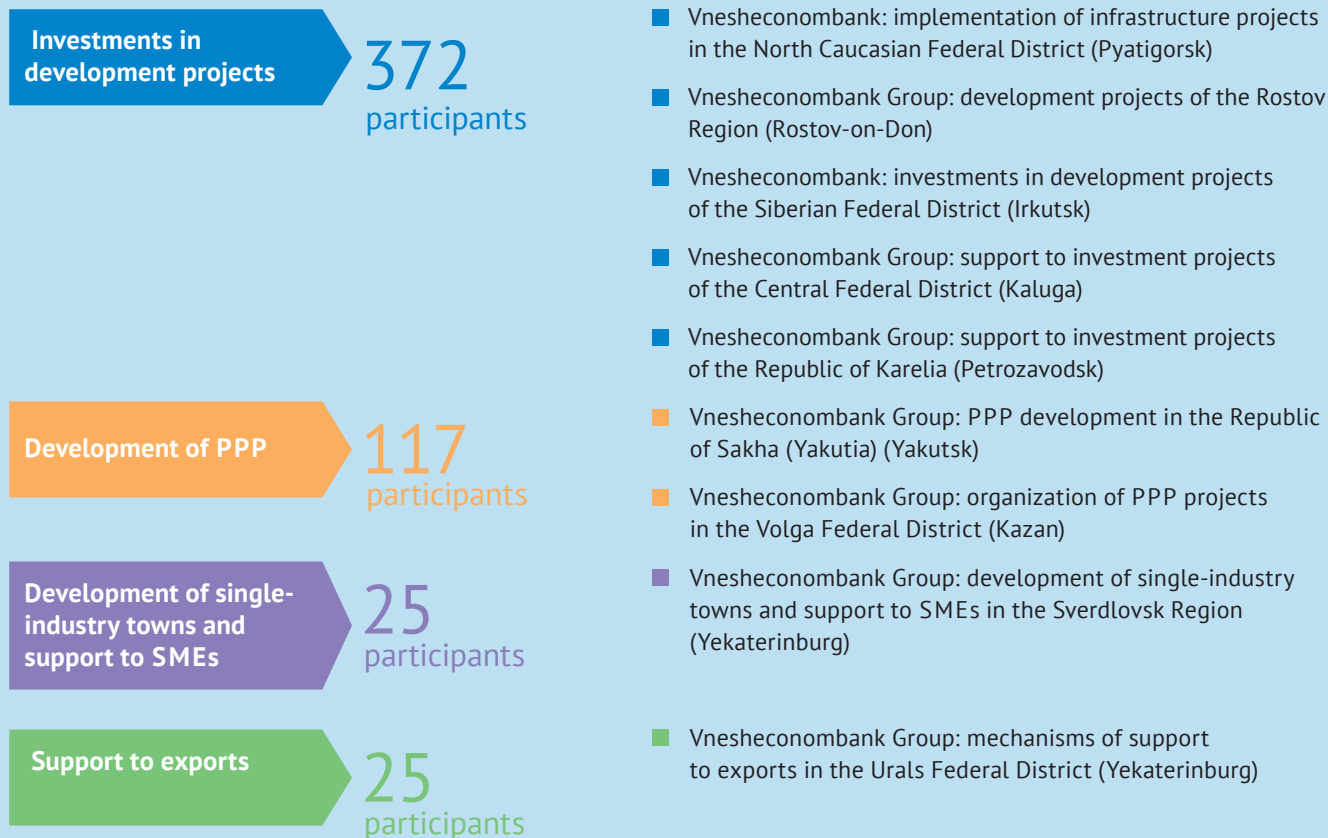
In 2014, Vnesheconombank continued implementing its educational project 'Training of Specialists for Participation in Investment Projects Supported by Development Institutions'. The project aims to build a pool of professionals who have the necessary expertise and competencies to efficiently prepare and implement large-scale and long-range investment projects, including those to be realised with support by Vnesheconombank.

The project's target audience includes employees and managers of companies, public officials and administrative employees, and independent experts

whose professional activities are related to planning, preparation, analysis and monitoring of investment projects.

Training under the project is organised into different formats depending on the level of participants' competencies and the level of their involvement in the preparation and implementation of investment projects. Experts involved in the project include leading specialists of Vnesheconombank and the Group's entities, representatives of the Bank's partner organisations, research and educational communities, and representatives of relevant ministries and departments.

## Events Held as Part of Vnesheconombank's Educational Project in 2014



## Initiatives on Youth Relations

55 undergraduates and graduates were involved in traineeships and internships in Vnesheconombank in 2014, with the 7 best of them later employed by the Bank.

Vnesheconombank is actively working with young people by running training programmes on investment management, encouraging applied science and research activities among the young, and supporting the development of relevant universities.

Among other things, our awareness-raising efforts focus on organising educational events for young people on the preparation and implementation of investment projects. These events involve experts from the Group's entities and are held on an annual basis as part of the Russian Educational Youth Forum 'Seliger' and the International Youth Industrial Forum 'Engineers of the Future'.

As a result of our multiyear involvement in youth forums, Vnesheconombank, SME Bank and VEB Innovations Fund have set up an annual award for the best innovative project among young entrepreneurs.

The award is held to encourage innovative activities in Russia and back the highest potential players in the SME innovative segment.

Focus areas of our work with young people also include support to students of major financial and economic schools. The best of them receive personal scholarships from the Bank. The Bank is also running a programme of traineeships and internships for undergraduates and graduates of relevant higher education institutions, while the best performing trainees and interns can be later offered jobs in the Bank. The programme helps us build a personnel continuity framework and share accumulated experience with young talents.

To promote applied research among the young, Vnesheconombank has organised the Youth Club, whose target audience includes talented undergraduates, postgraduates and young researchers of major Moscow universities. The Club is a permanent discussion venue where the participants share their knowledge, experience and new ideas on important social and economic issues related to the development of the country and its hinterlands, and on key areas of Vnesheconombank's operations. In 2014, the Club also featured such sections as 'Integrated Territorial Development' and 'Corporate Social Responsibility' that were attended by 77 undergraduates, postgraduates and young researchers.

## Vnesheconombank's Youth-Related Initiatives in 2014

### 'Financial Development Institutions in the Innovative System of Russia' training workshop

The workshop was held as part of the 'Economy of the Future' theme session of the Russian Educational Youth Forum 'Seliger 2014'. 37 participants were trained.

### Investment Management Workshop

This six-day workshop was held within the scope of the International Youth Industrial Forum 'Engineers of the Future, 2014'. 24 participants were trained.

### Best Innovative Project among Young Entrepreneurs

The award was organized by Vnesheconombank together with SME Bank and VEB Innovations Fund. Eligible participants included young entrepreneurs aged below 35 and owning small- and medium-sized enterprises. There were 40 applicants for the award in 2014, 26 of whom were admitted for participation. The award was won by an innovative project of ZAO ARDM for the extraction of rare precious metals. The project initiator was invited to participate in the Saint Petersburg International Economic Forum.

### Vnesheconombank's Youth Club

7 meetings were held as part of the practical session of the 'Comprehensive Territorial Development' Club. 5 meetings were held as part of the practical session of the 'Corporate Social Responsibility' Club. The Club's meetings were attended by 77 undergraduates, postgraduates and young researchers, and 2 of them were employed by Vnesheconombank.

### Personal scholarships

Personal scholarships of RUB 380 thousand were paid to 14 students of the Financial University of the Government of the Russian Federation. Personal scholarships of RUB 945 thousand were paid to 6 students of Moscow School of Economics (Lomonosov Moscow State University).





In October 2014, the Financial University of the Government of the Russian Federation hosted a 'Corporate Social Responsibility and Responsible Financing' master class, held as part of the activities of Vnesheconombank's

### Vnesheconombank's Youth Club: 'Corporate Social Responsibility and Responsible Financing' master class

Youth Club. The master class was attended by 29 students of Financial University, Moscow State University, Higher School of Economics and other higher education institutions.

During the master class, Vnesheconombank's experts directly involved in the implementation of the Bank's corporate social responsibility

and responsible financing shared their expertise and experience with the students. After the master class the participants formed project teams for further applied research to be carried out in the scope of the 'Corporate Social Responsibility' session of Vnesheconombank's Youth Club.

## Initiatives of Vnesheconombank Group's Entities on Youth Relations in 2014

### SME Bank

Organisation of a series of business games 'I Am Entrepreneur' that was attended by more than 300 high school students.

### Sviáz-Bank

Organisation of traineeships and internships in the bank's units that were attended by more than 160 students of relevant higher education institutions.

### BelVEB

Organisation of traineeships in the bank's units that were attended by 225 students of higher and secondary education institutions. Organisation of optional courses, lectures, trivia and presentations.

### Prominvestbank

Organisation of interactive classes jointly with Kiev Institute of Banking as part of the All-Ukraine Week of Financial Literacy. Educational events held in educational institutions of Ukraine involving more than 650 students.

### RDIF

Presentation for students of Russian and US universities as part of an experience exchange forum, including the implementation of investment projects in Russia.

### NCDC

Organisation of a series of lectures for students of institutes of the North Caucasian Federal District on the development outlooks of the North Caucasus and areas of investment projects involving NCDC.

### VEB Innovations

Career enhancement held for students of the Banking Institution of the Higher School of Economics, Higher School of Business of Moscow State University, the Russian Academy of National Economy and Public Service of the President of the Russian Federation, and Moscow Institute of Physics and Technology.

## 4.3 DEVELOPMENT AWARD

*The national Development Award was established by Vnesheconombank in 2012 to encourage investment operations and build an attractive investment climate in Russia. The strategic goal of the award consists in achieving comprehensive modernisation and renovation through sustainable social and economic development.*

231 applications from 61 regions of the Russian Federation were submitted to the Development Award in 2014.

In 2014, Vnesheconombank organised a second **Development Award**. The award was given for outstanding achievements in the implementation of nationally important projects. The critical criteria in assessing projects and selecting the winners were whether the project is innovative, oriented towards exports or import substitution, and what are its socio-economic and environmental effects.

*This is Russia's first award for outstanding achievements in investing in industrial and infrastructural projects. A better investment climate is important not as an end in itself, but rather as an efficient tool to create new jobs. The Development Award was established exactly to support and encourage those who invest, build and create.*

Sergei Ivanov  
Chief of Staff of the Presidential  
Executive Office of the Russian Federation

The award ceremony was held as part of the 18th Saint Petersburg International Economic Forum in May 2014 and was attended by Sergei Ivanov, Chief of Staff of the Presidential Executive Office, and Vladimir Dmitriev, Chairman of Vnesheconombank.

In 2014, Vnesheconombank worked hard to improve procedures related to the organisation and holding of the award. Based on past experience, we decided to expand the list of nominations for the Development Award 2015 by including new nominations that match the Bank's focus areas:

- / Best Innovative and High-Tech Project;
- / Best Environmental and Green Project;
- / Best Export Project;
- / Best Foreign Investment Project.

## Winners of the Development Award 2014



### Best Infrastructure Project

Project: 'Construction of a Medical Technopark in the Novosibirsk Region'  
ZAO Innovatsionniy Medico-Tekhnologicheskii Tsentri (Tekhnopark)



### Best Industry Project

Project: 'Creation of the Far Eastern Centre for Added-Value Wood Processing in Amursk (Khabarovsk Territory) with In-House Logging'  
OAO Dallesprom



### Best Integrated Territorial Development Project

Project: 'Creation and Development of Automobile Manufacturing in the Kaliningrad Region in 1996–2020'  
OOO AVTOTOR Holding



### Best SME Project

Project: 'Development and Introduction of Innovative Products (Immunochromatographic Test Strips for AMI Identification Based on Fatty Acid Binding Protein'  
OOO OFK-KARDIO

# 05

Investing  
in the Community





## 5.1 INVESTMENT OF PENSION SAVINGS

*In line with resolutions by the Russian Government, Vnesheconombank has been operating as the State Trust Management Company (STMC) to provide trust management of pension savings, and as a Payout Reserve State Trust Management Company (PR STMC). When performing these functions, we seek to minimise the liquidity risk in order to ensure that the invested pension savings are repaid to the Pension Fund of the Russian Federation, and to deliver positive returns on the assets under our management.*

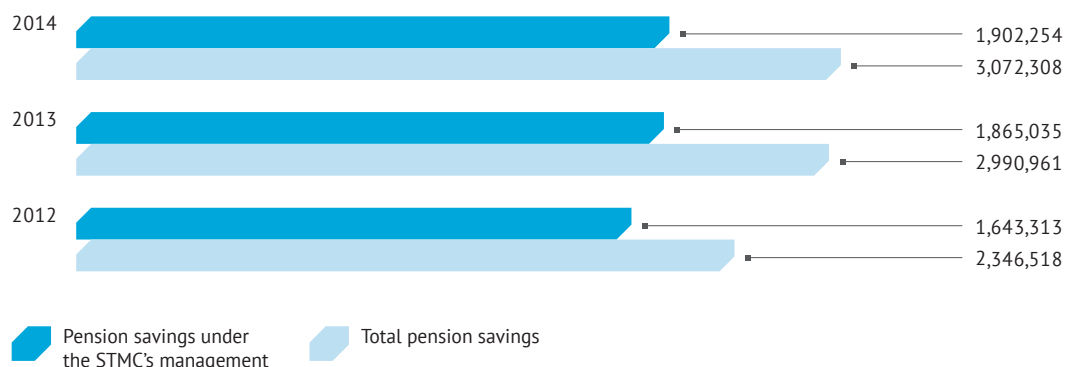
As at the end of 2014, the net value of assets under trust management of STMC was RUB 1.9 tn, while that under trust management of PR STMC was RUB 2.81 bn.

of government securities (GSIP). The EIP accounts for more than 99% of the STMC's funds. Pension savings placed in the EIP are invested both in government securities and in corporate bonds of Russian issuers and international organisations, mortgage-backed securities and deposits with commercial banks.

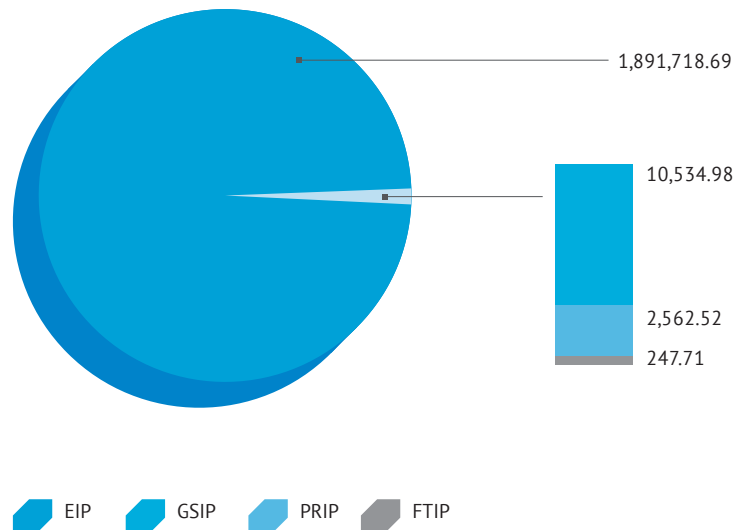
As the State Trust Management Company, Vnesheconombank is responsible for building the extended investment portfolio (EIP) and the investment portfolio

As the PR STMC, we are also managing the payout reserve investment portfolio (PRIP) and the fixed-term pension payout investment portfolio for pension savings

Growth performance of pension savings (RUB mn)



## Net value of assets under management of STMC and PR STMC (RUB mn)



of insured persons who are entitled to fixed-term pension benefits (FTIP). The list of instruments eligible for investment by PR STMC is identical to the list of instruments eligible for the EIP.

In 2014, the share of pension savings under management of the STMC in the total amount of pension savings remained flat year-to-year at 61.92%.

Under Vnesheconombank's Development Strategy for 2015–2020, the Bank's objectives as the STMC and PR STMC consist in minimising the liquidity risk of the extended investment portfolio, including in view of Federal Law No. 351-FZ 'On Amendments to Certain Legal Acts of the Russian Federation on Issues Related to Compulsory Pension Insurance Regarding the Right of the Insured to Choose a Pension Option' adopted in late 2013.

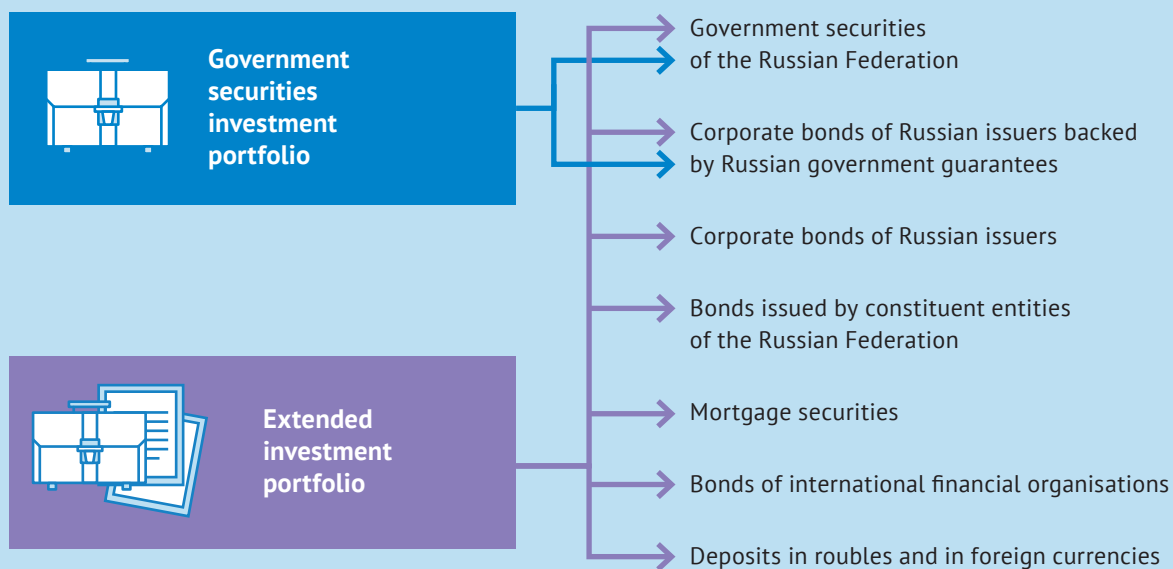
The law provides for zeroing of the insurance fee rate chargeable on the accumulative portion of retirement pension for those insured who fail to choose a non-government pension fund or an investment portfolio of the management company before 1 January 2016. In this connection,

strategic goals of the STMC were revised due to the lack of new investment resources under trust management required for EIP instruments to be diversified, and due to the growing liquidity risk of the EIP.

## Investment Instruments

The list of permitted investment instruments to be used for pension savings did not change in 2014. Investment statements of the PR STMC were, however, amended to increase the share of corporate bonds (except for government guarantee backed bonds) from 40% to 60% of the portfolio's

market share and to remove restrictions to the minimum share of government securities. These amendments seek to expand investment opportunities of the PR STMC, enhance responsiveness of portfolio management by the PR STMC and increase the portfolio's ROI.





## Outcomes of Pension Savings Investment

In 2014, Vnesheconombank was operating as the STMC in a challenging economic and geopolitical situation that resulted in the policy rate of the Bank of Russia skyrocketing from 5.5 to 17%, which led to a considerable decline in prices for Russian bonds. As a consequence, the three investment portfolios posted negative yields for the first time since Vnesheconombank had been acting as the STMC and PR STMC.

The yield of the Extended Investment Portfolio that accounts for 99.45% of total pension savings managed by the STMC remained positive. This result was achieved, among other things, due to the high level of the portfolio's immunisation, with assets not marked to market accounting for more than 65% in the portfolio.

The negative yield on the GSIP and portfolios of the PR STMC was due to the inability to immunise them in 2014 by acquiring instruments that are not marked to market, and by depositing portfolios' funds with commercial banks, including due to the small size of the PR STMC's portfolios and lack of interest from commercial banks to take such small amounts on deposit.

In order to manage liquidity and increase the return, in 2014, the EIP pension savings were mainly invested in corporate bonds and deposited with commercial banks:

- / RUB 128.9 bn of EIP funds were invested in non-government bonds, with their share in the portfolio rising from 36.36 to 37.95%;
- / RUB 266.99 bn of EIP funds were deposited with commercial banks, with their share in the portfolio rising from 7.02 to 14.86%.

Although investment opportunities materially shrank in 2014, the STMC still remains the key player in the long-term investment market and a source of support to the Russian economy. Following resolutions by the Russian Government, in 2014, Vnesheconombank invested about RUB 55 bn of EIP pension savings in bonds of companies that implement infrastructural projects. The total amount of bonds issued by infrastructural companies in the STMC's investment portfolios, including investments of 2014, exceeded RUB 401.92 bn.

### Return on investment of pension savings

	2013	2014
<b>STMC's portfolios</b>		
/ Extended Investment Portfolio (EIP)	+ 6.71%	+ 2.68%
/ Government Securities Investment Portfolio (GSIP)	+ 6.90%	- 2.05%
<b>PR STMC's portfolios</b>		
/ Payout Reserve Investment Portfolio (PRIP)	+ 5.52%	- 2.96%
/ Fixed-term Investment Portfolio (FTIP)	+ 5.51%	- 2.69%

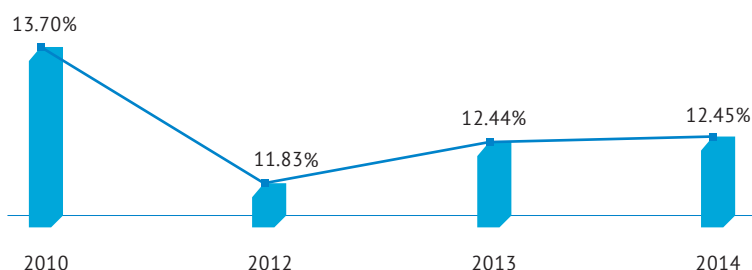
## 5.2 CONSTRUCTION OF AFFORDABLE HOUSING

*In 2014, Vnesheconombank completed the buyout of bonds under the Programme for Investment in Affordable Housing Construction and Mortgage Loans in 2010–2013. All participants of the Programme met their obligations in full and on time. The Programme has made mortgage loans more affordable for the wider public and has had a positive impact on construction of value class housing in Russia.*

Housing bought under the Programme (including under construction) totalled around **4 mn square metres**.

Vnesheconombank's Programme for Investment in Affordable Housing Construction and Mortgage Loans in 2010–2013 was designed to encourage mortgage lending and increase affordability of homes. The gross amount of mortgage loans issued under the Programme (including those repaid ahead schedule) exceeded RUB 300 bn.

Performance of annual interest rates on mortgage loans in Russia since the Programme's launch (at the year end)

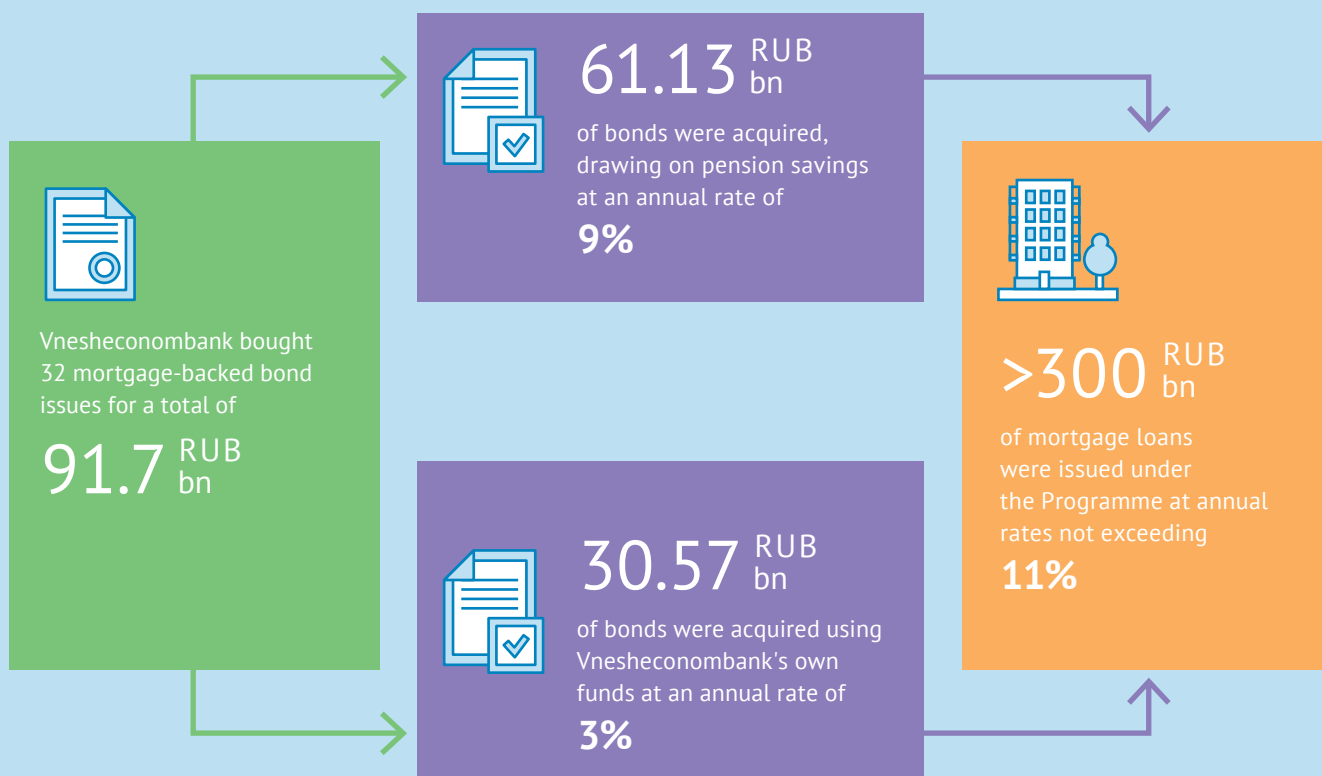


Loans were issued at rates not exceeding 11% p.a., which helped reduce mortgage loan rates in the market.

Since the Programme's approval in early 2010, average weighted interest rates on rouble-denominated housing mortgage loans in Russia have declined from 13.70 to 12.40% in the primary and secondary markets. When banks participating in the Programme were actively issuing mortgage loans in early 2012, rates went as low as 11.80%.

As part of the Programme, Vnesheconombank bought 32 mortgage-backed bonds for a total of RUB 91.7 bn. In line with the Programme's terms, two thirds of them were bought using pension savings under the STMC's management and one third using the Bank's own funds. The offerings of mortgage-backed bonds made under the Programme were arranged by a subsidiary of Vnesheconombank Group, VEB Capital. In 2014, VEB Capital successfully discharged its commitments by issuing 18 mortgage-backed bonds for a total of RUB 49.356 bn.

## Outcomes of Vnesheconombank's Programme for Investment in Affordable Housing Construction and Mortgage Loans in 2010–2013



Vnesheconombank, the China Development Bank (CDB), AHML and VEB Asia signed a memorandum of understanding

### Programme: Russian Family Housing

in the presence of Russian President Vladimir Putin and the President of the People's Republic of China Xi Jinping in Beijing in 2014. In the document, Vnesheconombank and CBD reiterate their interest in the financing of social housing programmes of AHML and their commitment to interact with the agency as financial advisers and potential investors.

The Russian Family Housing programme run by AHML is included in the government's

crisis management plan of priority actions to ensure sustainable economic development and social stability in 2015. 25 mn square metres of value housing are planned to be built under the programme until mid-2017. These apartments will be offered at a price 20% below market prices. AHML's financing requirements reach up to RUB 135.5 bn, with loan maturities up to 25 years.

## 5.3 CHARITY AND SPONSORSHIP

*Large-scale charitable and sponsorship projects play a significant role in our activities and bring in huge improvements in community life. As one of the oldest banks in the country, Vnesheconombank pays particular attention to continuity when selecting projects. Most significant projects of the Bank, specifically cultural projects, have been in place for a number of years and promote a positive image of Russia as a country with a rich national culture.*

In 2014, Vnesheconombank Group allocated **RUB 2.82 bn** for implementation of charitable projects.

Vnesheconombank Group's charitable and sponsorship activities cover a full range of areas, from support to large international forums to help to specific people who have found themselves in a difficult life situation. The amount of charitable and sponsorship

support provided by the Group is growing from year to year, while the number of beneficiaries is expanding from year to year.

Vnesheconombank's charitable and sponsorship activities are run in line with the Memorandum on Financial Policies. The Programme for Charitable and Sponsorship Support is prepared in the fourth quarter of each year, mostly based on applications by relevant ministries and departments, and is subject to approval by the Supervisory Board of Vnesheconombank.

Funds allocated by Vnesheconombank Group for charity (RUB mn)



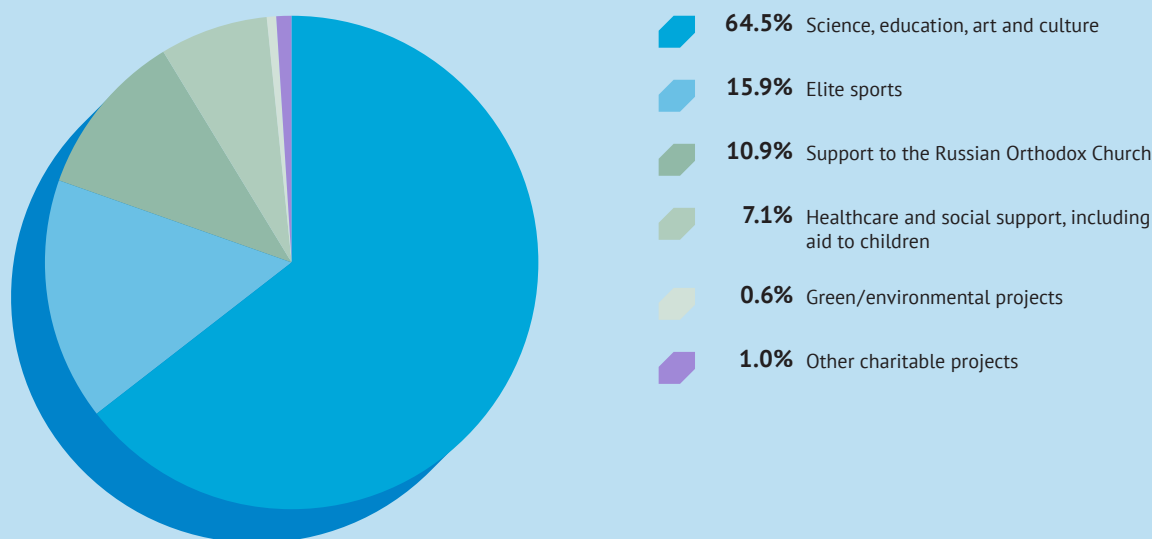
## Charitable Projects of Vnesheconombank Group

Priority areas of Vnesheconombank Group's charitable activities include support to science, education, culture and the arts, to healthcare institutions and to socially vulnerable groups, i.e. World War II veterans, disabled persons and children without parental care. We also pay particular attention to support to the Russian Orthodox Church, including construction and restoration of Orthodox churches and monasteries of cultural and historical significance. The Bank's priorities also include support to Russian elite sports and ecological/environmental projects.

In 2014, Vnesheconombank supported the implementation of more than 80 charitable projects, mainly long-term.

Among organisations of the Group, our subsidiary commercial banks, BelVEB, Prominvestbank and Globexbank, spent the largest amount for implementation of charitable projects. Charitable projects were also implemented by SME Bank, Sviaz-Bank, EXIAR and VEB-Leasing.

### Breakdown of Charitable Activities by Vnesheconombank Group in 2014



## Focus Areas of Vnesheconombank's Charitable Activities in 2014



Healthcare, social support  
and aid to children

24 projects

**Support to specialised healthcare institutions:** Blokhin Cancer Research Centre, Moscow Regional Psychoneurological Hospital for the Children with Central Nervous System Affliction and Mental Disturbance, Saint Vladimir Children's Municipal Clinical Hospital, the First Hospice for Children with Oncological Diseases, etc.

**Support to medical higher education institutions:** Urology Department of the Therapeutic Department of Moscow State University of Medicine and Dentistry named after A. I. Evdokimov

**Support to socially vulnerable groups:** orphanages, boarding schools, specialised institutions for disabled people, public organisations, councils of veterans, etc.

**Response to the flood in the Far East:** financing and procuring medical equipment for the Lenin Central District Hospital of the Jewish Autonomous Region



Science, education,  
art and culture

20 projects

**Involvement in Boards of Trustees** of Moscow State Institute of International Relations (MGIMO University), the Pushkin State Museum of Fine Arts, the Polytechnic Museum and the Bolshoi Theatre

**Support to relevant higher education institutions and young researchers:** the Public-Private Partnership Chair of Financial University of the Government of the Russian Federation; Moscow School of Management SKOLKOVO, the Agency for Strategic Initiatives, etc.

**Support to leading Russian cultural and arts institutions:** Moscow's Pyotr Fomenko Studio Theatre, Academy of Young Opera Singers of Saint Petersburg's Mariinsky Theatre, the Moscow Kremlin's museums, etc.

**Personal scholarships** paid by Vnesheconombank to students of Moscow State University, MGIMO University, Financial University and Higher School of Economics



### Support to the Russian Orthodox Church

30 projects

**Support to projects aimed at preservation of historical and cultural heritage, construction of Orthodox churches and revival of spiritual values:** renovation of the Pilgrimage Centre of the Holy Trinity – St. Sergius Lavra, improvements to the Centre for Spiritual Development of Children and Youth of St. Daniel Monastery of Moscow, and construction of the Saint George Orthodox Monastery in Götschendorf (Germany), an Orthodox church in Strasburg (France), etc.



### Elite sports

6 projects

**Support to sports federations** and national volleyball, bicycle, rugby, football and tennis teams

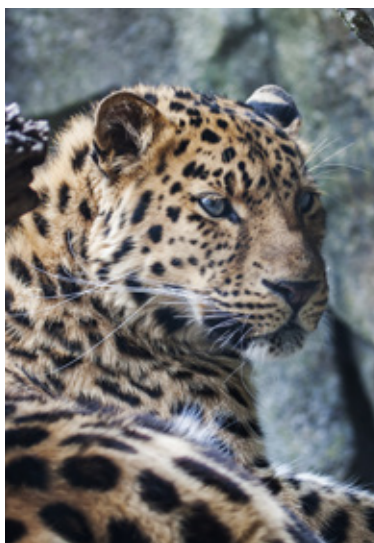
**Support to construction of advanced sports facilities:** the National Tennis Centre, Sports and Healthcare Volleyball Complex



### Environment and biodiversity

4 projects

**Support to national parks and reserves:** the Eurasian Centre for the Saving of Far Eastern Leopards; 'Belovezhskaya Pushcha' and 'Pripyatsky' national parks, and the Sknyatinskoye hunting farm



Since 2012, Vnesheconombank has been maintaining permanent partnership relations with the Eurasian Centre of Study, Saving and Renewal of the Population of Leopards.

## The Eurasian Centre of Study, Saving and Renewal of Population of Leopards

The Centre operates in the Far Eastern 'Leopardoviy' Reserve, the 'Kedrovaya Pad' Wildlife Refuge and the 'Zemlya Leoparda' National Park set up in 2012 following a resolution by the Russian Government and measuring 261.9 thousand hectares in total. The 'Zemlya Leoparda' National Park covers the most valuable habitats of the Far Eastern leopard, the rarest leopard subspecies represented by the only population remaining in the Far East and not exceeding 50 leopards.

Supported by Vnesheconombank, the Centre monitors the leopard population,

protects their habitats and develops the park's infrastructure. Another important focus area of the Centre consists in drawing the community's attention, especially that of young people, to the problem of the Far Eastern leopard. To this end, the Centre organises awareness raising environmental tourism in the park's territory and promotes local volunteer movements.



Vnesheconombank supported the renovation of the Pilgrimage Centre of the Holy Trinity – St. Sergius Lavra in Sergiev Posad (Moscow Region) that was completed in 2014.

## Renovation of the Pilgrimage Centre of Holy Trinity – St. Sergius Lavra

The project's completion coincided with the 700th anniversary of the Venerable Sergius of Radonezh whose relics are kept in the Holy Trinity Cathedral of the Holy Trinity – St. Sergius Lavra, unique culture, architectural and historical heritage protected by UNESCO.

The Pilgrimage Centre is located in the former trading rows built in the early 20th century. After the renovation, the rows were returned to their historical appearance. The Centre offers guests and pilgrims who daily arrive at Sergiev Posad a range of information and touristic services, including tours

of historical places and Orthodox sacred sites.

In 2014, Vladimir Dmitriev, Chairman of Vnesheconombank, was awarded the 1st Class Order of Holy Prince Daniel of Moscow for support to construction, charitable and humanitarian projects of the Russian Orthodox Church. The award ceremony was held in the Trinity Cathedral of St. Daniel Monastery of Moscow in the presence of His Holiness Patriarch Kirill of Moscow and All Russia.



## Charitable Projects Implemented by Vnesheconombank Group's Entities in 2014

- / **Globexbank** provided support to the VERA Hospice Charity Fund and the 'Russian Booker Prize', a non-government literary award sponsored by the Bank since 2012.
- / **EXIAR** provided support to the Regional Charitable Public Fund 'Illustrated Books for Little Blind Children'.
- / **VEB-Leasing** helped purchasing computer equipment for children's educational institutions of Saint Petersburg, Ulyanovsk and Yaroslavl.
- / **SME Bank** provided support to the Fund for Development of the Banking System and the Union of Investigation Veterans.
- / **BelVEB** provided support to the National Academic Bolshoi Opera and Ballet Theatre of the Republic of Belarus, and Minsk Municipal Clinical Oncologic Dispensary, and also took part in the National Programme 'Culture of Belarus'.
- / **Prominvestbank** transferred over 96% of its charitable budget to the bank's trade union to assist employees, their family members, the bank's veterans and to low-income people.



In 2014, BelVEB continued financing the national project for publication of the first facsimile edition of books

### National Programme 'Culture of Belarus'

by the Belarusian and Eastern Slav first bookprinter Francysk Skaryna. The project is dedicated to the 500th anniversary of the day when Francysk Skaryna printed the first book of Eastern Slavs. It is implemented as part of the National Programme 'Culture of Belarus'.

This 5-year project provides for the publication of 25 books of Skaryna, 1,000 copies of each book. Five books of Francysk Skaryna were printed in 2014 with the help of BelVEB.

At a special ceremony, some of them were handed over to heads of diplomatic missions from countries that were related to the life of Skaryna: Russia, Ukraine, Poland, Czech Republic,

Germany and Italy, while other were delivered free of charge to district libraries of the Minsk Region. Later on, collections of Skaryna's books are planned to be donated to museums and archives of Belarus, Russia, Ukraine, Poland and Germany, as well as to the UN and UNESCO.

## Sponsorship Projects by Vnesheconombank Group

Support to events and projects that match the priorities of the development bank's investment policy lies at the heart of sponsorship activities of Vnesheconombank and the Group's entities. Every year we are sponsoring top-line international events such as Davos Economic Forum, Saint Petersburg International Economic Forum and Moscow International Forum for Innovative Development 'Open Innovations'. Our involvement in these ambitious events that are closely watched by the international community reinforces our image of the key Russian development institution actively operating in the global financial market.

In 2014, Vnesheconombank sponsored more than 65 major Russian and international projects to improve the investment climate in Russia and support culture, education and elite sports. The largest sponsorship projects of Vnesheconombank Group's entities include support by SME Bank to 'SMALL BUSINESS: RESET', a forum of the All-Russian Non-governmental Organisation for Small and Medium Business 'OPORA RUSSIA', and involvement

by EXIAR as a sponsor in a number of international exhibitions and forums where the agency signed strategically important agreements.

Sponsorship performance by Vnesheconombank in 2014:

- / 40 national and international economic forums, conferences and exhibitions;
- / 19 arts and education projects;
- / 8 projects to support elite sports.



Among the most remarkable sponsor projects of Vnesheconombank is its support

### Support to KAMAZ-Master Team

to KAMAZ-Master team that has consistently been among the leaders of the Dakar Rally. The most overwhelming victory in the rally was won by the Russian team in 2015 when KAMAZ drivers simply swept the board. These top achievements by KAMAZ-Master were made possible by the support of Vnesheconombank in creating the technical infrastructure for the team, organising the training process and developing new sports vehicles.

The victories of KAMAZ-Master team in prestigious international competitions show the capabilities of the Russian automobile industry and thereby increase its export potential. Thus, this is a considerable contribution by KAMAZ-Master team in the development of KAMAZ manufacturer whose modernisation has been financed by Vnesheconombank for many years.



## Saint Petersburg International Economic Forum

In 2014, Vnesheconombank acted as the general partner of the Saint Petersburg International Economic Forum (SPIEF) that focused on strengthening trust in the age of transformation. The forum's participants

discussed opportunities for unlocking Russia's competitive potential and implementing breakthrough technologies that would help the Russian economy to adapt to the new situation in the macroeconomic market.

During the Forum, Vnesheconombank entered into a number of cooperation agreements strategically important for the Group and took part

in organisation of the Forum's events: the 'Nurturing Growth Clusters in Russian Regions' panel session and the 'Russian-Italian Business Dialogue: Long-Term Cooperation Prospects' round table. The Forum also hosted an award ceremony for winners of the 'Development Award' established by Vnesheconombank.

### Vnesheconombank is a General Partner of SPIEF 2014



Total number of events:

**82**



Official foreign delegations:

**73** countries



Total number of participants:

**7,590**



Total number of journalists:

**1,439**



Number of agreements signed:

**175**



Total amount of agreements signed:

**401.4** RUB  
bn

# 06

## Corporate Governance





## 6.1 CORPORATE GOVERNANCE SYSTEM

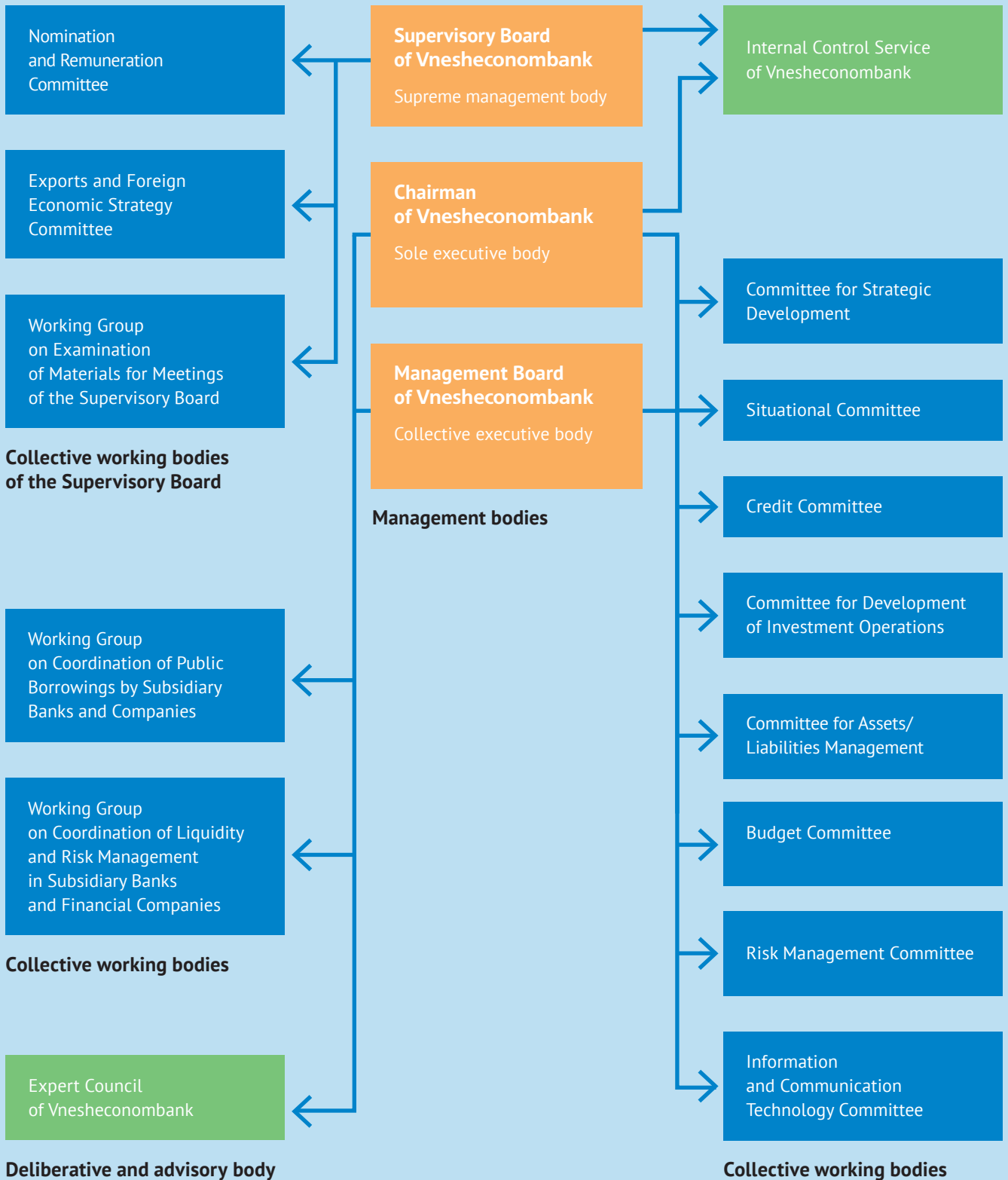
*Due to the scope of our operations that affect the interests of the entire country, we feel particular responsibility for making informed decisions that should be driven by an efficient corporate governance system. In building its corporate governance system, Vnesheconombank is guided by the best corporate governance practices of leading Russian and international financial institutions to guarantee its stability, enhance its equity story and get a stronger foothold for long-term growth.*

Vnesheconombank's corporate governance system meets the requirements of Federal Law No.82-FZ 'On Bank for Development' dated 17 May 2007 and captures best international practices and investors' expectations. It incorporates governing bodies (the Supervisory Board of Vnesheconombank, the Management Board of Vnesheconombank and Chairman of Vnesheconombank), the Internal Control Service of Vnesheconombank and collective working bodies (committees and working groups). In 2014, Vnesheconombank set up two new committees: the Exports and Foreign Economic Strategy Committee and the Risk Management Committee that offer a deeper understanding of foreign economic and risk management issues to better inform management decisions.

22 meetings of the Supervisory Board and 232 meetings of the Management Board of Vnesheconombank were held in 2014. Their agenda included the following key items:

- / investment loans;
- / exports and guarantees;
- / interests in the capital of third parties;
- / operations of subsidiary banks and companies of Vnesheconombank;
- / sponsorship and charity;
- / crisis management;
- / review of the Internal Control Service's reports;
- / other items within the remit of Vnesheconombank's governing bodies as set out in Federal Law No.82-FZ 'On Bank for Development' dated 17 May 2007.

## Vnesheconombank's Corporate Governance System



## Members of Vnesheconombank's Governing Bodies

### Supervisory Board of Vnesheconombank

as of 31 December 2014

<b>Dmitry Medvedev</b>	Chairman of the Supervisory Board, Chairman of the Government of the Russian Federation
<b>Andrey Belousov</b>	Member of the Supervisory Board, Assistant to the President of the Russian Federation
<b>Arkady Dvorkovich</b>	Member of the Supervisory Board, Deputy Chairman of the Government of the Russian Federation
<b>Vladimir Dmitriev</b>	Member of the Supervisory Board, Chairman of Vnesheconombank
<b>Dmitry Kozak</b>	Member of the Supervisory Board, Deputy Chairman of the Government of the Russian Federation
<b>Anton Siluanov</b>	Member of the Supervisory Board, Minister of Finance of the Russian Federation
<b>Aleksey Ulyukayev</b>	Member of the Supervisory Board, Minister of Economic Development of the Russian Federation
<b>Aleksandr Khloponin</b>	Member of the Supervisory Board, Deputy Chairman of the Government of the Russian Federation
<b>Igor Shuvalov</b>	Member of the Supervisory Board, First Deputy Chairman of the Government of the Russian Federation

### Management Board of Vnesheconombank

as of 31 December 2014

<b>Vladimir Dmitriev</b>	Chairman of Vnesheconombank
<b>Mikhail Poluboyarinov</b>	First Deputy Chairman of Vnesheconombank – Member of the Management Board
<b>Andrei Sapelin</b>	First Deputy Chairman of Vnesheconombank – Member of the Management Board
<b>Petr Fradkov</b>	First Deputy Chairman of Vnesheconombank – Member of the Management Board
<b>Sergei Vasiliev</b>	Deputy Chairman of Vnesheconombank – Member of the Management Board
<b>Yulia Karpova</b>	Deputy Chairman of Vnesheconombank – Member of the Management Board
<b>Andrei Klepach</b>	Deputy Chairman of Vnesheconombank (Chief Economist) – Member of the Management Board
<b>Sergei Lykov</b>	Deputy Chairman of Vnesheconombank – Member of the Management Board
<b>Vladimir Sharpinsky</b>	Chief Accountant of Vnesheconombank – Member of the Management Board



## Size of Remuneration, Allowances and Refundable Expenses of Governing Bodies

Under Federal Law No. 82-FZ 'On Bank for Development' dated 17 May 2007, the amount of remuneration and/or refundable expenses payable to Members of Vnesheconombank's Supervisory Board is subject to approval by the Russian Government, and the amount of remuneration and/or refundable expenses payable to Members of Vnesheconombank's Management Board is subject to approval by the Supervisory Board of Vnesheconombank. The amount of bonuses payable to Members of Vnesheconombank's Management Board and the Chairman of Vnesheconombank is directly proportional to performance of Vnesheconombank against corporate key performance indicators.

In 2014, no remuneration, including salaries, bonuses, commission fees, allowances and/or refundable expenses, individual fees payable for involvement in the activities of a relevant governing body or other types of remuneration were paid to Members of Vnesheconombank's Supervisory Board.

### Remuneration paid to Members of Vnesheconombank's Management Board in 2014

Types of remuneration	Amount (RUB thousand)
Salary	132,994.48
Bonuses	94,040.30 <sup>6</sup>
Financial aid	5,394.91
Commission fees	0
Standalone fees payable for involvement in the activities of a governing body	0
Other types of remuneration	0

In 2014, there were no changes in the membership of Vnesheconombank's Supervisory Board. The following changes were made in the membership of Vnesheconombank's Management Board:

- ✓ Yulia Karpova, Deputy Chairman of Vnesheconombank, was appointed Member of Vnesheconombank's Management Board by the resolution of the Supervisory Board of Vnesheconombank dated 6 March 2014;
- ✓ Andrei Klepach was appointed Deputy Chairman of Vnesheconombank (Chief Economist) and Member of Vnesheconombank's Management Board by the resolution of the Supervisory Board of Vnesheconombank dated 6 March 2014;
- ✓ Petr Fradkov was appointed First Deputy Chairman of Vnesheconombank and Member of Vnesheconombank's Management Board by the resolution of the Supervisory Board of Vnesheconombank dated 18 December 2014.

<sup>6</sup> The remuneration for 2013 was paid in June 2014.

## Collective Working Bodies of Vnesheconombank's Supervisory Board

Committees and the working group of Vnesheconombank's Supervisory Board are standing deliberative and advisory bodies. They include Members of Vnesheconombank's Supervisory Board and representatives of government authorities that can share unique knowledge and competences matching the level and areas of decision-making. Collective working bodies may also involve in their work independent experts outside their permanent membership.

A priority task of collective working bodies consists in preliminary review of pivotal issues within the remit of Vnesheconombank's Supervisory Board. The committees provide a detailed analysis of documents that are to be submitted to Vnesheconombank's Supervisory Board for discussion. This exercise guarantees that information that the Bank's Supervisory Board uses to make its decisions is reliable and complete. Members of collective bodies maintain ongoing working contacts with Vnesheconombank's executive bodies.

### Nomination and Remuneration Committee

**8 Committee Members**  
(as of 31 December 2014)

**7 meetings**  
in 2014

Provides support and prepares recommendations for the Supervisory Board on nomination and remuneration issues with regard to:

- Management Board Members;
- Deputy Chairmen of Vnesheconombank other than Management Board Members;
- heads of Vnesheconombank's business units;
- heads of Vnesheconombank's subsidiaries

### Exports and Foreign Economic Strategy Committee

**8 Committee Members**  
(as of 31 December 2014)

**4 meetings**  
in 2014

Provides support and prepares recommendations for the Supervisory Board on:

- coordination of measures for comprehensive support to exports;
- foreign economic activities of Vnesheconombank Group;
- improvements to the regulatory framework for financing of Russian exports and foreign economic activities;
- support to foreign economic interests of Vnesheconombank and Russian companies

### Working Group on Examination of Materials for Meetings of the Supervisory Board

**9 Members of the Working Group**  
(as of 31 December 2014)

**19 meetings**  
in 2014

Provides support to Vnesheconombank's governing bodies by preparing meetings of the Supervisory Board:

- agrees the agenda of every regular meeting of the Supervisory Board;
- assesses and reviews discrepancies on issues prepared for examination at meetings of Vnesheconombank's Supervisory Board;
- prepares recommendations to Vnesheconombank's Management Board on improvements to relevant issues and on whether they should be examined at meetings of the Supervisory Board

## Collective and Advisory Working Bodies of Vnesheconombank

### Committees

#### Committee for Strategic Development

#### Key objectives

- Assist Vnesheconombank's Management Board in making informed and efficient decisions seeking to enhance long-term performance and being of strategic nature

#### Situation Committee

- Manage the continuity management system of Vnesheconombank

#### Credit Committee

- Prepare opinions on terms of granting credits, loans, issuing guarantees, sureties, setting country limits, financing insurance and guarantee support for exports, settling bad debts

#### Committee for Development of Investment Operations

- Prepare recommendations (opinions) on whether it is expedient/inexpedient to run due diligence of investment projects after their preliminary due diligence

#### Committee for Assets/Liabilities Management

- Prepare opinions and recommendations on asset and liability management, including management of market and structural risks and breakeven performance by Vnesheconombank

#### Budget Committee

- Provide support to Vnesheconombank's executive bodies on planning and follow-up of Vnesheconombank's financial and business operations

#### Risk Management Committee

- Provide support to Vnesheconombank's governing bodies on risk management in Vnesheconombank and Vnesheconombank Group

#### Information and Communication Technology Committee

- Prepare opinions and recommendations on automation of business processes taking advantage of ICT capabilities subject to strategic and current goals of Vnesheconombank

### Working groups

#### Working Group on Coordination of Public Borrowings by Subsidiary Banks and Companies

#### Key objectives

- Provide support to Vnesheconombank's subsidiary banks and companies by preparing opinions and recommendations on issues related to finance raising and identification of key parameters of borrowings by Vnesheconombank's subsidiary banks and companies

#### Working Group on Coordination of Liquidity and Risk Management in Subsidiary Banks and Financial Companies

- Coordinate Vnesheconombank Group's activities to ensure consistent liquidity and risk management in Vnesheconombank Group, set up an environment for pursuing efficient asset and liability management and risk management policies within Vnesheconombank Group

### Deliberative and advisory body

#### Expert Council of Vnesheconombank

#### Key objectives

- Participate in expert evaluation of investment projects co-financed by Vnesheconombank, and draft programmes for export support and development

## Vnesheconombank's Audit System

Internal audit is run in Vnesheconombank by the Internal Control Service of Vnesheconombank (ICS). Its operating procedure is determined by the Supervisory Board of Vnesheconombank. ICS is a stand-alone function of the Bank that reports to the Supervisory Board of Vnesheconombank, which ensures its independence and efficiency in performing its control functions. In its day-to-day activities, ICS is reporting directly to the Chairman of Vnesheconombank.

Vnesheconombank's annual financial statements are subject to mandatory audit before its approval by the Supervisory Board of Vnesheconombank. The auditor to audit the annual financial statements is appointed through a tender subject to approval by the Supervisory Board of Vnesheconombank. The audit opinion must be enclosed to the published annual financial statements. In line with the decision by the Supervisory Board of Vnesheconombank, in 2014 the Bank's annual financial statements are audited by Ernst & Young Vneshaudit ZAO.

## Development of the Corporate Governance System

In 2014, in order to make its corporate governance processes more efficient, Vnesheconombank implemented a range of measures seeking to streamline the organisational procedures that underlie the activities of the Bank's governing bodies. Particular attention was paid to automation of processes of preparation for meetings of the governing bodies; training of the personnel of Vnesheconombank and the Group's entities, and to better follow-up of decisions adopted by the Bank's governing bodies.

Further on, our corporate governance processes will be improved by implementing Vnesheconombank's Development Strategy for 2015–2020, which provides for changes in the project management system, streamlining and re-engineering of business processes, and standardisation of management and control mechanisms.

Measures designed to develop the corporate governance system and implemented in 2014:

- / the systems for preparing online digital materials for meetings of collective governing bodies of Vnesheconombank created in 2014 were developed and launched;
- / the system for following up instructions given by Vnesheconombank's collective governing bodies was upgraded;
- / a field training workshop on Preparation of Materials for Meetings of Collective Governing Bodies of Vnesheconombank attended by more than 120 representatives of Vnesheconombank, and various ministries and departments was held;
- / participation of Vnesheconombank's professionals in a number of international hands-on workshops and conferences on corporate governance was arranged;
- / an updated version of an information leaflet on Regulatory Documents Governing Activities of Collective Bodies of Vnesheconombank was published.

## Developing Vnesheconombank Group's Management System

Vnesheconombank's Development Strategy for 2015–2020 provides that the Bank's key goal with respect to the Group should consist in taking maximum advantage of opportunities and capabilities offered by its subsidiaries to achieve the Bank's priorities as the national financial development institution. The management system will combine independent decision-making by the Group's entities with centralised follow-up by Vnesheconombank.

As a key strategic initiative with respect to its subsidiary banks aimed at increasing their capitalisation, Vnesheconombank is embedding an integrated approach to the organisation of sales of products and services of the Group's entities via subsidiary banks. Vnesheconombank will still continue providing its subsidiary banks with support both by lending and by issuing guarantees, confirming letters of credit and other financial mechanisms. In managing subsidiary banks, Vnesheconombank acts as a strategic controller:

- / development strategies of subsidiary banks are developed and updated based on Vnesheconombank's Development Strategy;
- / current planning of subsidiary banks' operations is driven by their development strategies;
- / Vnesheconombank coordinates performance enhancement programmes of subsidiary banks and relationships between its subsidiary banks to deliver synergy;

- / the motivation system of subsidiary banks' management is also driven by strategic goals of subsidiary banks;
- / development strategies of subsidiary banks are followed up every six months, and current plans every month.

Vnesheconombank's non-lending subsidiaries are responsible for performing their specialised functions within the Group and improving their own performance. Vnesheconombank manages non-lending subsidiaries by performing the functions of governing bodies of these entities, including centralised control of decision-making by Vnesheconombank's representatives that sit on governing bodies of the Group's entities.

## Vnesheconombank Group's Management System

### Managing Vnesheconombank Group's subsidiaries

- Vnesheconombank acts a coordinator of the activities of its subsidiaries
- Development strategies, strategic goals and key performance indicators (KPI) of each subsidiary are developed and updated based on the Bank's Development Strategy
- Management of each subsidiary is driven by strategic goals and approved KPI
- Achievement of strategic goals by individual subsidiaries works towards strategic goals of Vnesheconombank

### Vnesheconombank's objectives with respect to subsidiaries

- Assist to the development of subsidiaries to the extent required for the Bank's strategic goals to be achieved
- Coordinate joint activities of subsidiaries within Vnesheconombank Group as far as customer relations and risk separation are concerned
- Ensure that corporate governance of subsidiaries meets international standards and investor expectations
- Promote sustainability principles across Vnesheconombank Group

## 6.2 RISK MANAGEMENT IN VNESHECONOMBANK GROUP

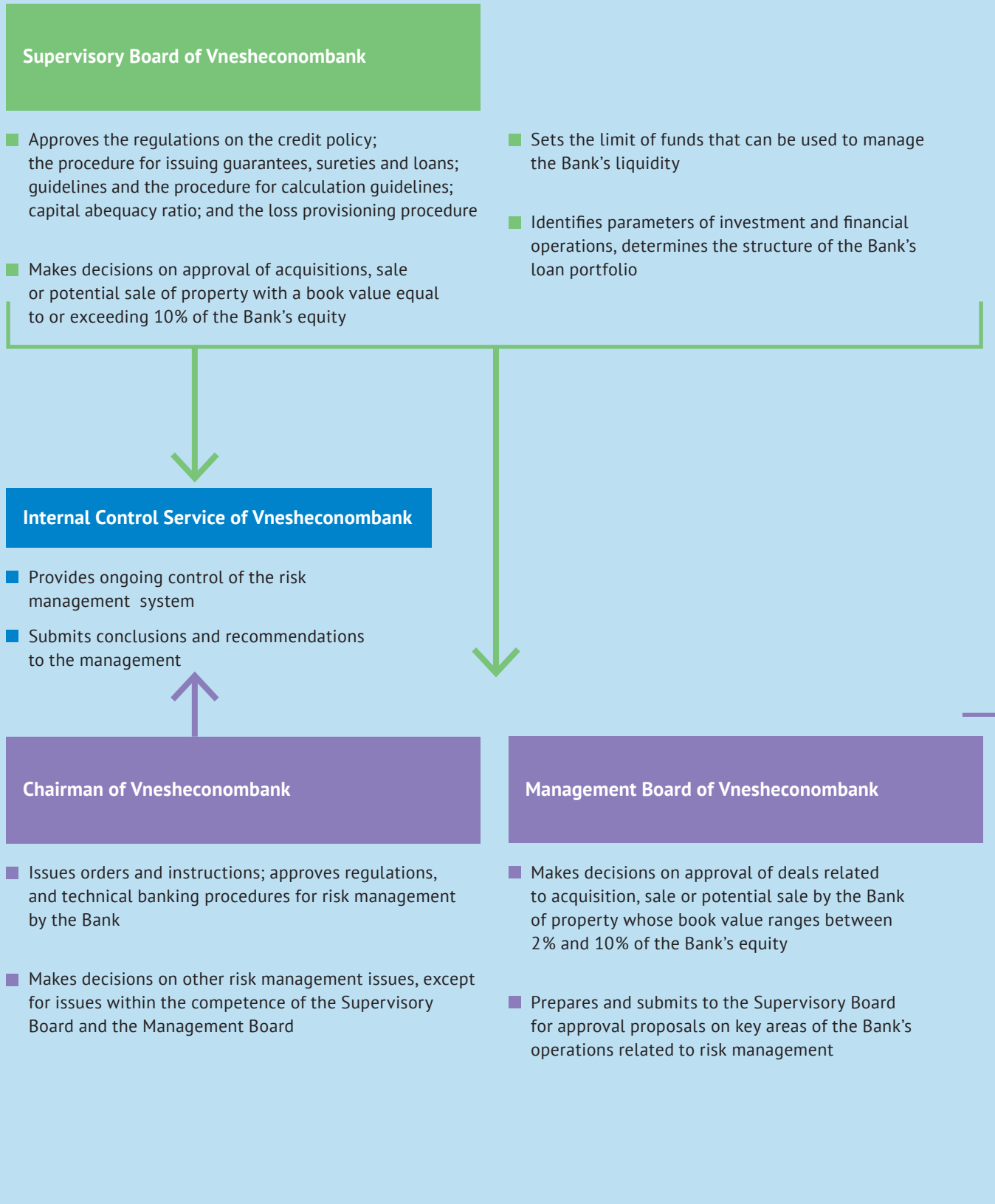
*Aggravating geopolitical risks and crisis trends in the Russian economy in conjunction with the constantly growing size of Vnesheconombank's loan portfolio materially increased the importance of risk management for maintaining the Group's financial stability. Vnesheconombank Group's risk management system is driven by consistent and continuous processes that involve all entities of the Group, including making strategic and day-to-day management decisions.*

The risk management system operating in Vnesheconombank Group is a continuous framework of practices, organisational measures and IT efforts that seek to identify, assess and control risks and timely take measures to prevent and minimise risks and maximise performance within the existing risk appetite limits. The system is deeply integrated into Vnesheconombank Group's operations and operates at all its levels from the Bank's supreme governance body, the Supervisory Board, to the Bank's specialised units and entities responsible for risk control and management.

We are improving our risk management system by building uniform standards and approaches to risk management applicable to those subsidiaries of the Group whose operations are associated with high risks. To this end, in 2013 Vnesheconombank Group developed and approved its Risk Management Policy and a roadmap to implement the policy. The roadmap provides for building an organisational and regulatory and methodological framework to ensure consistency and continuity of risk management approaches used in the Group.

Important milestones in this path included the creation of Vnesheconombank's Risk Management Committee and appointment of Vnesheconombank Group's Risk Director in 2014. At the same time, the Group's subsidiaries continued their efforts on refining corporate regulatory documents that govern the risk management procedure and bringing them in compliance with the Risk Management Policy of Vnesheconombank Group.

## Risk Management System of Vnesheconombank Group





### Credit Committee

- Prepares opinions on issuance of Bank and corporate loans, guarantees, sureties and financing on a repayable basis; equity investments; acquisition of bonds
- Setting of counterparty and issuer limits
- Recovers and writes off debt

### Committee for Assets/Liabilities Management

- Prepares opinions and recommendations on asset and liabilities management
- Manages market and structural risks of the Bank
- Ensures breakeven performance by the Bank

### Working Group on Coordination of Public Borrowings by Subsidiary Banks and Companies

Prepares opinions and recommendations on:

- improving coordination of public borrowings by subsidiaries;
- borrowings;
- determining key borrowing parameters

### Risk Management Committee

- Assists the Bank's governing bodies in risk management
- Regularly evaluates quality of the risk management system
- Follows up compliance of the risk level with the agreed risk appetite
- Assesses economic capital requirements for covering risks by type of operation

### Group Risk Director

- Oversees the functioning and development of the Group risk management system
- Submits development plans and risk reports to the management
- Agrees appointment to the position of the member of the Supervisory Board of the relevant subsidiary responsible for risks
- Coordinates activities of members of subsidiaries' boards responsible for risks
- Agrees appointment to the position of risk management officers in subsidiaries

### Working Group on Coordination of Liquidity and Risk Management in Subsidiary Banks and Financial Companies

- Coordinates activities of subsidiaries related to liquidity and risk management
- Sets the stage for efficient management of assets and liability of subsidiaries

## Risks Occurred in 2014 and Response by Vnesheconombank Group

In 2014, the Russian economy was hit by plummeting oil prices, a highly volatile Russian rouble, capital outflow, rising interest rates in the financial market and sectoral sanctions imposed by some countries on the Russian Federation. In 2H 2014, these sanctions also affected Vnesheconombank and its subsidiaries. The sanctions mainly constrain Vnesheconombank Group's access to equity and debt financing in the US, Canada and EU member states with above 30-day maturities.

Due to the sanctions and other adverse macroeconomic factors, Vnesheconombank Group put in place additional measures to improve its risk management system, including the ones to identify, assess, manage, monitor and control risks, and to prepare reports that would describe the impact by unfavourable external factors on the financial position and performance of the Group to be used by the Bank's and its subsidiaries' governing bodies in making their management decisions.

Vnesheconombank's Development Strategy for 2015–2020 provides for further improvements to the Group's risk management system as a paramount pre-requisite for Vnesheconombank Group's financial stability. The Strategy provides for a range of measures that will include:

- / developing and implementing a methodology for consolidated quantitative assessment of risks assumed to estimate the economic capital required to cover potential losses;
- / raising awareness of governing bodies about risks assumed by the Group;
- / developing a system of key indicators for material risks;
- / developing and putting in place a process to establish, and follow up compliance with, the risk appetite;
- / develop risks management information systems.

Priority initiatives that are planned to be implemented in 2015 include the development of unified risk management standards for Vnesheconombank Group and a group-wide system of key risk indicators, as well as implementation of procedures for their monitoring. An important task for the Bank will also consist in improving risk monitoring procedures and addressing distressed and overdue debt in a more efficient way. These steps will help to timely identify a decline in asset quality and an impact by negative factors on Vnesheconombank Group's portfolio so as to take timely preventive measures.

## Risk Groups

### Credit risks

- counterparty risk
- project financing risk
- country risk
- regional risk

### Market risks

- interest risk
- currency risk
- stock market risk

### Liquidity risk

### Operating risk

### Strategic risk

## Risk Management Approaches

- Monitor the level of external and internal risk factors
- Impose limits, diversity, and provision
- Secure assets exposed to credit risks with pledges, guarantees, sureties or other collateral
- Meet collateral adequacy requirements

- Monitor the level of external and internal risk factors
- Impose limits, hedge, and diversity
- Avoid unacceptable or non-assessable risk
- Run situation modelling, stress tests and Value-at-Risk (VaR) method

- Secure continuous access to financial markets, including maintaining business relationships with financial institutions and regulators
- Avoid unacceptable or non-assessable risk
- Run situation modelling and stress tests

- Regulate and automate business processes; follow up compliance with laws, limit discipline and procedures
- Separate functions and powers, separate rights of access
- Introduce a decision-making and reporting procedure
- Enhance skills, upgrade the motivation system, and improve work organization and occupational safety of employees
- Put in place a business continuity framework
- Insure operating risks

- Monitor internal and external risk factors
- Run stress tests
- Track the impact of realised and potential risks on achievability of strategic goals
- Timely change the strategy

## Steps Taken by Vnesheconombank Group in 2014 in Response to Aggravated Geopolitical and Macroeconomic Risks



### Developing and improving the regulatory framework

- The calculation methodology for Vnesheconombank's economic capital was developed
- Compliance of the risk management regulatory framework of Vnesheconombank and the Group's entities with the Group's Risk Management Policy was analysed
- Risk management policies of SME Bank, VEB Capital, BelVEB and Prominvestbank were approved
- Subsidiaries' regulatory framework for group-wide liquidity management, including financial stability plans were reviewed
- Proposals to update and improve the regulatory framework on crisis liquidity management were prepared
- The development of uniform risk management standards was launched
- The Regulations on the Working Group on Coordination of Liquidity and Risk Management of Subsidiary Banks and Financial Companies of Vnesheconombank were updated



### Developing risk management reporting

- Structural risks reports for Vnesheconombank's management and liquidity calculations were regularly prepared
- Monthly internal reporting on the status of credit risks for Vnesheconombank's management was introduced
- Quarterly reports on risks of the Group's subsidiary banks for Vnesheconombank's management were prepared (including a breakdown of risk levels and changes by type and business line; expert assessment of asset quality and capital requirements; estimate of stock market and currency risks using the VaR methodology; results of the interest rate sensitivity analysis; and liquidity status with an estimate of the size of potential funding sources)
- Approaches to the assessment of risks of the Group's entities were unified; an automated reporting system was put in place



### Risk-oriented analysis of operations

- Control over risks related to material transactions by subsidiaries (assessment of material transaction risks in order to prepare directives on decision-making for Vnesheconombank's representatives that sit on governing bodies of subsidiaries) was enhanced
- Borrowers' ability to timely meet their obligations to the Group's lending institutions in the new economic environment was reviewed
- The portfolio of loans denominated in foreign currencies was additionally analysed
- Proposals to further analyse sources for repayment of foreign currency loans and confirm borrowers' creditworthiness was prepared
- Performance of the distressed and overdue debt portfolio was analysed
- The efficiency of managing Vnesheconombank's open currency position was reviewed

## 6.3 RESPONSIBLE BUSINESS PRACTICES

*In its relations with customers and business partners, we are guided by the principle of strict compliance with the business ethics standards set out in Russian laws and best international practices. The Bank seeks to demonstrate the highest standards of responsible business conduct and thereby reinforce mutual trust among financial market players in Russia and in other countries. In 2014, the Bank's priority business lines included a range of measures designed to prevent corruption and other offences and to make procurement procedures more transparent.*

### Anti-Corruption Procedures

In 2014, Vnesheconombank's Compliance and Conflict of Interest Commission held 5 meetings to examine 31 items.

In 2014, we particularly focused on strengthening measures designed to prevent corruption and other offences. Vnesheconombank's Code of Ethics and Business Conduct adopted in 2014 became an important step in this direction. Under the Code, the Bank's employees must counteract any forms of corruption and take steps to prevent and settle conflicts of interest.

Vnesheconombank's Compliance and Conflict of Interest Commission continued its operation in 2014. To ensure that the Commission's decisions are fair,

its members, apart from Vnesheconombank's employees, include representatives of independent organisations such as the Institute of Legislation and Comparative Law under the Government of the Russian Federation and the Russian Presidential Academy of National Economy and Public Administration.

In order to build aversion to corruption, the Bank ran a training course for its employees followed by a test on Liability for Taking and Giving Bribes, and organised a workshop on Preventing and Settling Conflicts of Interest for Vnesheconombank's Employees. We also put anti-corruption information stands and posters on display in the Bank's building, while our official website now features a feedback tool to report any cases of corruption.

Vnesheconombank Group's entities also ran a range of initiatives to prevent corruption.

In this connection, in 2014, some entities of the Group reviewed its business units for corruption-related risks and held anti-corruption training courses for their employees, including top managers.

Appendix 5 shows data on the total number and share of Vnesheconombank Group's employees who were trained on anti-corruption policies and procedures broken down by employee category.

## Anti-Money Laundering and Counter Terrorist Financing

637 employees of Vnesheconombank attended AML/CTF trainings in 2014.

Vnesheconombank is fully involved in the efforts of the international banking community related to anti-money laundering and counter terrorist financing (AML/CTF). The Bank's AML/CTF framework is driven by strict compliance with Russian laws and captures recommendations of the Bank of Russia, the Federal Financial Monitoring Service, international financial organisations and hands-on experience of major western and Russian financial institutions.

Internal AML/CTF control policies applied in the Bank comprise procedures that identify customers, customer representatives, beneficiaries and beneficiary owners and assess customer risks and the risk that our services could be used for money laundering and the financing of terrorism.

With these procedures, we are also able to identify our customers' activities and transactions that are subject to mandatory control and unusual operations at early stages, document and keep resulting information, and take AML/CTF measures.

These AML/CTF policies are binding on all employees of Vnesheconombank who are engaged in, or support, banking and other transactions whatever their positions are. To maintain a necessary level of knowledge on application of AML/CTF laws, our employees undergo systematic training that includes kick-off and targeted briefings followed by tests.

Those subsidiaries of the Group that are subject to Federal Law No.115-FZ 'On Anti-Money Laundering and Counter Terrorist Financing' dated 7 August 2011 also apply a range of AML/CTF measures. AML/CTF activities of our foreign subsidiaries are guided by the laws of countries where they are operating.

## Transparent Procurement

Procurement by Vnesheconombank and the Group's entities is strictly compliant with Federal Law No.223-FZ 'On Procurement of Goods, Works

and Services by Certain Types of Legal Entities' dated 18 July 2011. The only exception is VEB Innovations Fund that is not covered by the law, and foreign subsidiaries

of the Group whose procurement procedures are guided by the laws of countries where they are operating.

In 2014, Vnesheconombank ranked first in the National Procurement Transparency Rating in the High Transparency category among those customers who place their

orders under Federal Law No. 223-FZ. The Bank recorded a considerable year-on-year rise in procurement transparency that was achieved, among other things, by building up the share of bidding procedures in total procurement and by substantially increasing the percentage of e-procurement.

## Responsible Practices in Customer and Partner Relations

In their relations with customers and partners, Vnesheconombank and the Group's entities particularly focus on complying with all necessary measures aimed to protect information and keep data confidential.

The information security framework operating across the Group is built in strict compliance with the requirements of Russian laws and international standards. The framework includes a range of organisational and technical information security measures and incorporates tools to identify, stop and investigate unlawful use of confidential data.

In order to assess the quality of services provided, our entities run a systematic analysis of satisfaction among customers

and partners using such tools as questionnaires, feedback via corporate sites and hotlines. In 2014, a number of the Group's entities, including Globexbank, BelVEB and Prominvestbank, also ran additional customer satisfaction surveys based on the 'mystery consumer' method.

In general, the results of an integrated assessment across the Group for 2014 showed high satisfaction of customers and partners, which confirms the proper quality of services provided by the Group. The results of the assessment were used by the Group's entities to address existing drawbacks and improve customer-oriented approaches to relations with customers and partners.

## Socially Important Products and Services of Subsidiary Commercial Banks

In 2014, Sviaz-Bank and Globexbank issued over **8 thousand** loans to their customers for a total of **RUB 17.14 bn** under the Military Mortgage Loans programme.

Working towards better financial inclusion, our subsidiary commercial banks provide their customers with access to remote banking, including call centre services, online banking, mobile banking and online advisor services. The widest range of remote services is offered by BelVEB that issues

## Clients and Partners of Vnesheconombank Group's Entities

Organisation	Legal entities	SMEs' representatives	Individuals
Vnesheconombank	✓		
SME Bank	✓	✓	
Globexbank	✓	✓	✓
Sviaz-Bank	✓	✓	✓
BelVEB	✓	✓	✓
Prominvestbank	✓	✓	✓
VEB-Leasing	✓	✓	
EXIAR	✓	✓	
VEB Engineering	✓		
VEB Capital	✓		
FCPF	✓		
RDIF	✓		
NCDC	✓		
The Far East and Baikal Region Development Fund	✓		
VEB Innovations Fund	✓		
VEB Asia	✓		

loans online or by phone followed by a visit by the bank's employee to execute the document package.

Socially important banking products (primarily under the Military Mortgage Loans programme) offered by our subsidiary commercial banks represent another significant step towards responsible business practices. As at the end of 2014, the share of mortgage loans issued under

the programme was 52% in the retail portfolio of Sviaz-Bank, and 21% in Globexbank's portfolio. Moreover, in 2014, to reduce the credit burden on customers, Sviaz-Bank and BelVEB decided to postpone or write off overdue debt under more than 6 thousand retail agreements.



## 6.4 STAKEHOLDER ENGAGEMENT

*The scope of our operations that involve a large range of stakeholders imposes a particular responsibility on the Bank for its performance and decision-making. To capture the community's expectations, the Bank seeks to engage in a direct dialogue with representatives of key groups of stakeholders, including in preparing its non-financial reports. One of the Bank's priorities implemented as part of stakeholder relations also includes promoting sustainability principles and best CSR practices across the Russian business community.*

In preparing Vnesheconombank Group Sustainable Development Report 2014, the Bank organised the first public [hearing to discuss the Report's concept](#) that involved a wide range of stakeholders.

As the national financial development institution, we interact with a wide range of stakeholders both within and outside the country. By fostering mutually beneficial relations with Russian and international partners, Russian government authorities, including regional authorities, and the research and expert communities, we are setting the stage for achieving our strategic goals.

As part of its relations with public authorities, Vnesheconombank takes part in the discussion of state policy by getting involved in expert appraisal of draft laws and drafting of sectoral and regional development strategies. The Bank is actively cooperating with Russian regions by participating in the work of regional deliberative bodies and by supporting joint territorial development projects.

We maintain both bilateral relations with international financial organisations and development institutions, and participate in major groups, clubs and associations that operate worldwide.

A crucial task of the Bank in fostering its international relations consists in raising foreign finance and engaging expertise and experience in the Bank's projects and initiatives that support the social and economic growth of Russia.

## Involvement of Vnesheconombank in International and National Economic Forums and Conferences in 2014

### Davos Economic Forum (Switzerland)

- Vnesheconombank involved as a sectoral partner

>2,500 participants

from more than 100 countries

### Saint Petersburg International Economic Forum

- Vnesheconombank involved as a general partner

7,590 participants

from 73 countries

### National forums and conferences

- Moscow International Forum 'Open Investments'
- International Investment Forum 'Sochi'
- 10th Krasnoyarsk Economic Forum

Vnesheconombank regularly holds experience exchange events involving its partners both in and outside Russia particularly focusing on developing relations with banks from the SCO Interbank Consortium and with financial development institutions that are its partners within the BRICS Interbank Cooperation Mechanism. Our relations with major regional associations of development institutions from South-Eastern Asia and Latin America and UN entities are developing equally successfully.

Vnesheconombank initiated and actively participated in major international and national forums where it discussed the Bank's prospects of relations with Russian and international partners

and worked out coordinated positions on issues directly related to implementing by the Bank of its functions of the national development institution.

Striving for maximum transparency, we regularly update stakeholders on our performance through annual and non-financial reports, our corporate website and corporate media, as well as via our relations with mass media. We also operate a call centre to gather feedback from a wide range of stakeholders.

## Map of Key Stakeholders of Vnesheconombank

◀ G4-24  
G4-25  
G4-26

Key groups  
of stakeholders

Reasons for inclusion  
in the list of key stakeholders

Interaction mechanisms

### External

<ul style="list-style-type: none"> <li>■ Russian Government</li> <li>■ Executive authorities</li> <li>■ Regulatory authorities</li> </ul>	<p>Vnesheconombank is responsible for supporting the implementation of public investment policy, and efficient and timely achievement of strategic goals</p>	<ul style="list-style-type: none"> <li>■ Disclosure and reporting</li> <li>■ Working and expert boards and other deliberative and advisory bodies</li> <li>■ Joint projects with regional authorities</li> </ul>
<ul style="list-style-type: none"> <li>■ Investors and partners</li> <li>■ Customers and borrowers</li> <li>■ Russian and international financial institutions</li> <li>■ Business and expert communities</li> <li>■ Suppliers and contractors</li> <li>■ Media</li> </ul>	<p>Vnesheconombank is responsible for compliance with business conduct ethics, for setting the stage for mutually beneficial and efficient relations, and a better investment climate</p>	<ul style="list-style-type: none"> <li>■ Disclosure through Vnesheconombank's official website</li> <li>■ Participation in Russian and international forums, conferences, exhibitions and other events</li> <li>■ Master classes, workshops and other training events</li> <li>■ Press releases, interviews on major issues and key events</li> <li>■ Call Centre</li> </ul>
<ul style="list-style-type: none"> <li>■ Local communities in project implementation areas</li> </ul>	<p>Vnesheconombank is responsible for sustainable integrated territorial development, social and environmental performance of investment projects</p>	<ul style="list-style-type: none"> <li>■ Meetings with representatives of regional authorities and business to prepare integrated territorial development plans</li> </ul>

### Internal

<ul style="list-style-type: none"> <li>■ Supervisory Board and Management Board of Vnesheconombank</li> <li>■ Management of Vnesheconombank Group's entities</li> </ul>	<p>In making its management decisions, Vnesheconombank is responsible for financial stability and timely discharge of obligations</p>	<ul style="list-style-type: none"> <li>■ Preparation of analytical material for meetings of governing bodies</li> <li>■ Involvement of Vnesheconombank's representatives in the work of governing bodies of the Group's entities</li> </ul>
<ul style="list-style-type: none"> <li>■ Employees of Vnesheconombank</li> </ul>	<p>Vnesheconombank is responsible for ensuring decent and safe working conditions and equal opportunities for the professional and personal development of its employees</p>	<ul style="list-style-type: none"> <li>■ Development of the internal communication system (corporate magazines, Intranet portal, corporate holidays and events)</li> </ul>

## Vnesheconombank's Relations with International Financial Institutions: Outcomes of 2014

### Shanghai Cooperation Organisation Interbank Consortium (SCO IBC)

We adopted a plan of measures aimed at strengthening financial cooperation and supporting regional development to accelerate implementation of joint investment projects and expand regional relations

### Interbank relations within BRICS

We signed a cooperation agreement on innovations that supports high-tech development in BRICS countries, including through joint investment projects

### Relations with the International Bank for Reconstruction and Development

We intensified relations in terms of originating loans to finance infrastructure and energy efficiency projects (for more details see the section '[Environmentally Important Projects](#)')

### Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Moscow hosted the 37th annual meeting of ADFIAP where we signed a memorandum of understanding with the Development Bank of Mongolia

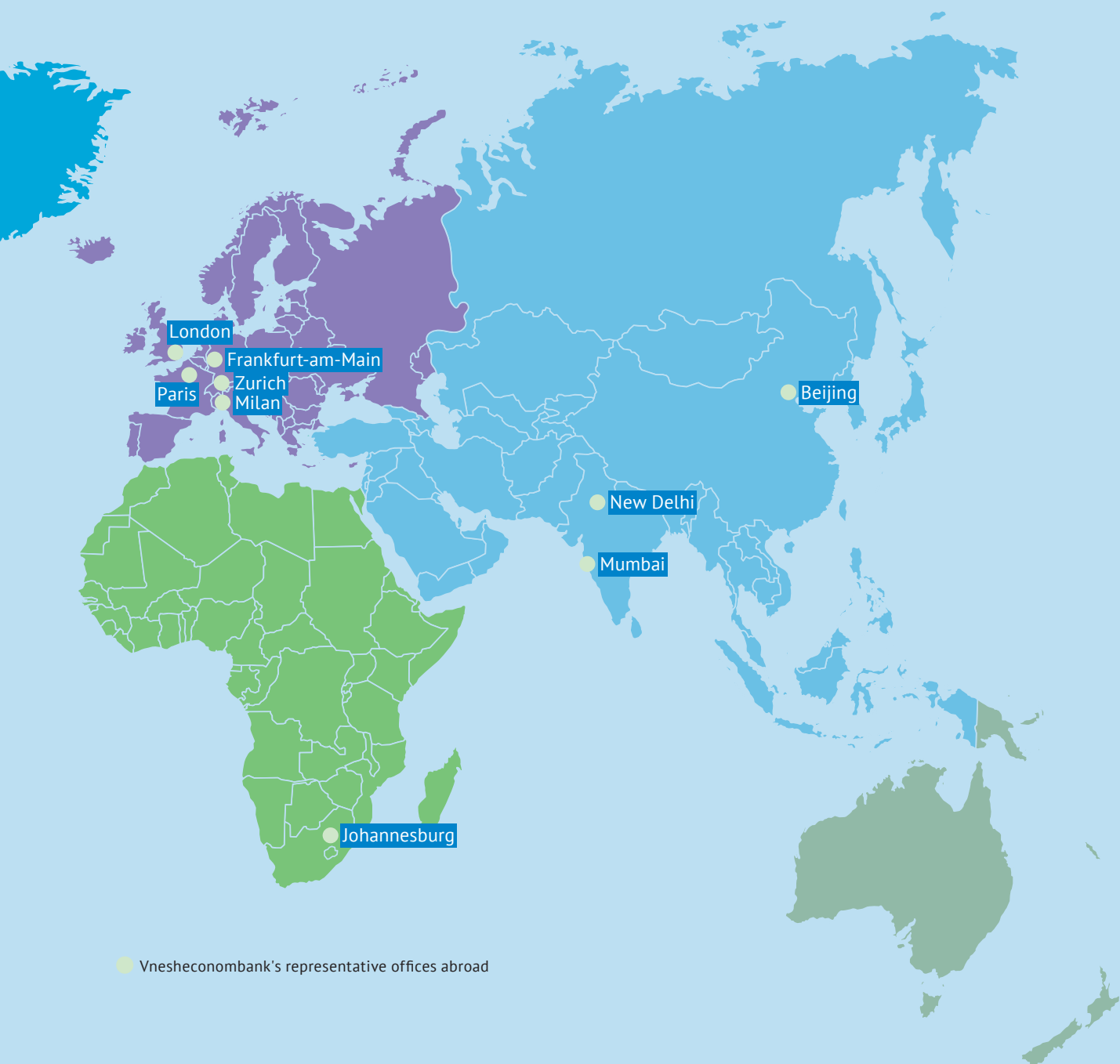
### Meeting of development institutions of G20 countries

We arranged our participation in the meeting of an informal club of development institutions from G20 countries initiated by Vnesheconombank. At the meeting, we signed memoranda of understanding with the Italian Development Bank (Cassa Depositi e Prestiti) and the National Agency of Italy for Investment Raising (INVITALIA)

### Relations with the International Financial Corporation (IFC)

We continued to implement the agreement for advisory services to be provided by IFC to Vnesheconombank on implementing a mechanism to assess energy efficiency of investment projects of the Bank (see more details in the section '[Environmentally Important Projects](#)')





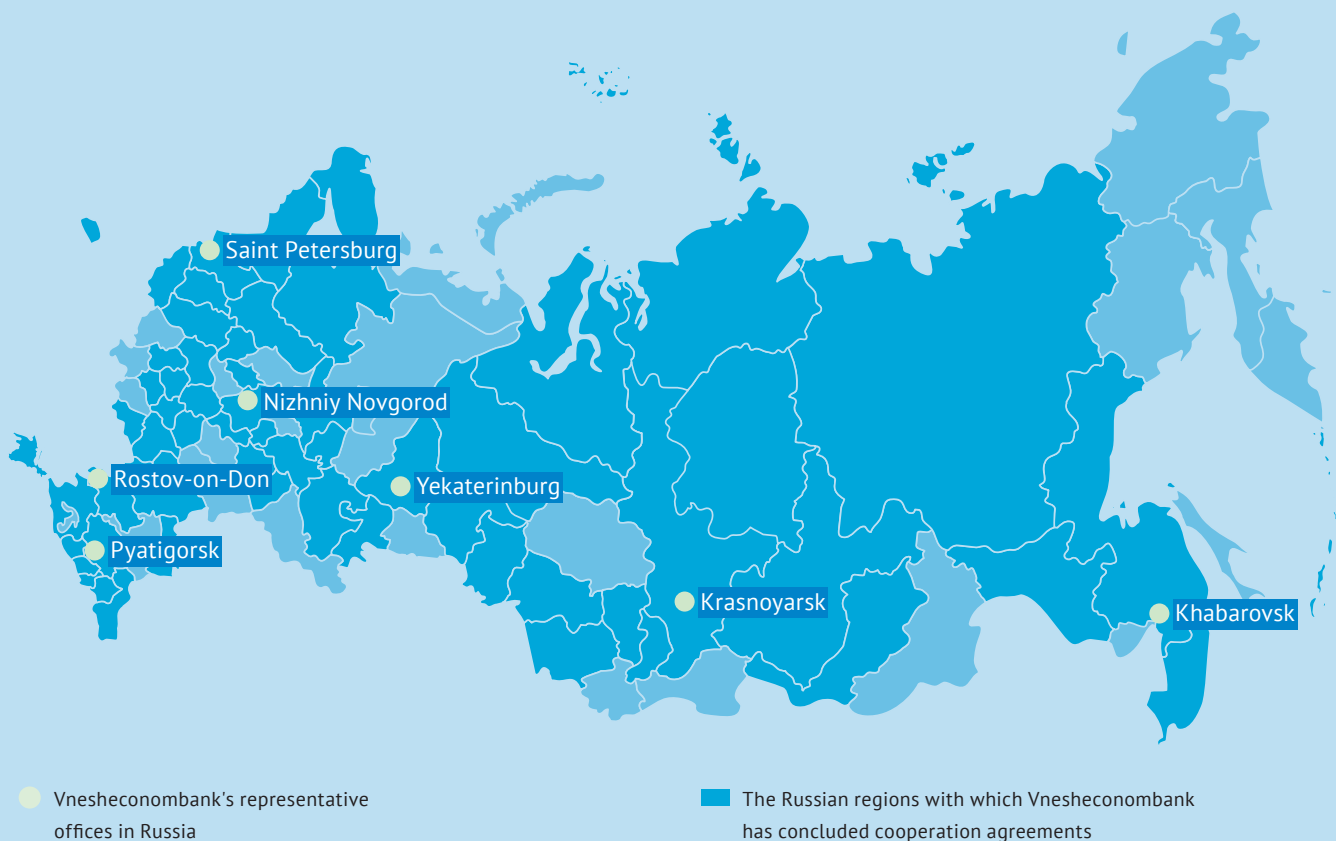
**Northeast Asia Export–Import Banks Association**

The Bank signed a framework agreement on interaction on projects of the Extended Tumangan Initiative (ETI) providing for a mechanism for selection and co-financing of projects in the scope of ETI by members of the Association

**International Financial Development Club (IDFC)**

The Bank agreed its involvement in the initiatives of IDFC whose medium-term programme provides for relations on green financing and financing of infrastructure, renewable energy, energy efficiency, and social and economic development

## Relations of Vnesheconombank with Regional Authorities of the Russian Federation: Outcomes of 2014



### Performance by Vnesheconombank's regional representative offices in Russia in 2014

Involvement in the work of

**114** committees, working groups, boards

and other deliberative bodies on social and economic development, improvements to the investment climate and enhancement of regional business activities, including 5 events on single-industry towns, was organised

**14** educational events

on preparation of investment projects and key requirements of Vnesheconombank to investment applications were held

**108** conferences, forums, presentations

and other events in Russian regions were attended

A number of interviews and publications on currently important aspects of operations of Vnesheconombank and the Group's entities in regional mass media were arranged

## Promoting Sustainability Principles as Part of Engaging in the UN Global Compact

In 2014, UN Global Compact Network Russia brought together over 75 organisations, including large businesses, SMEs, business associations, not-for-profit organisations and research institutes.



As the national development institution, we place a particular emphasis on promoting sustainability principles and best corporate social responsibility practices across the Russian business community. Our efforts in this area are primarily applied in the scope of the Bank's involvement in the UN Global Compact (UNGC): a major international initiative for sustainable development and global partnership between the public and corporate sectors.

Vnesheconombank joined the UNGC in late 2011 to reiterate its commitment to the ten principles of UNGC on human rights, labour relations, environment and anti-corruption. Since 2013, the Bank has been leading the UNGC Network Russia that seeks to combine the efforts of the Russian business community so as to put in place joint sustainability initiatives and reinforce international cooperation on a wide range of items on the global agenda.

In 2014, given a challenging international political, financial and economic situation, our top priority within the UNGC Network Russia was to promote a positive image of Russia as a country that is fully involved in achieving sustainability goals and committed to high socially responsible business standards. During the year, our representatives attended major events of UNGC, including the UN's first World Conference on Indigenous Peoples held in New York (US) and the annual forum of UNGC's European networks in Skopje (Republic of Macedonia).

At these events, heads of UNGC's international office and our foreign partners repeatedly highlighted that the UNGC Network Russia led by Vnesheconombank had substantially intensified its activity.

In 2014, Vnesheconombank spun out UNGC Network Russia into a standalone entity to ensure its institutional development. The statutes of the resulting standalone entity, UNGC National Network, were approved in late 2014 at the annual meeting of the Network's members. The Bank also promoted the information policy of the Russian network, including developing the Network's official website and publishing a leaflet with information on its activities. Moreover, in 2014, the UNGC International Office and Network Russia signed a memorandum of understanding that reiterated the status of the Russian network as an officially recognised organisation operating in line with the goals and objectives of the UNGC.

## Engagement with Stakeholders in the Preparation of the Report

G4-18 ▶

In January 2015, Vnesheconombank organised the first public hearing to discuss the concept of the Vnesheconombank Group Sustainable Development Report 2014, involving a wide range of the Group's stakeholders, including representatives of government authorities, Russian and international financial organisations, professional associations, environmental organisations, rating agencies, employees of Vnesheconombank and the Group's entities.

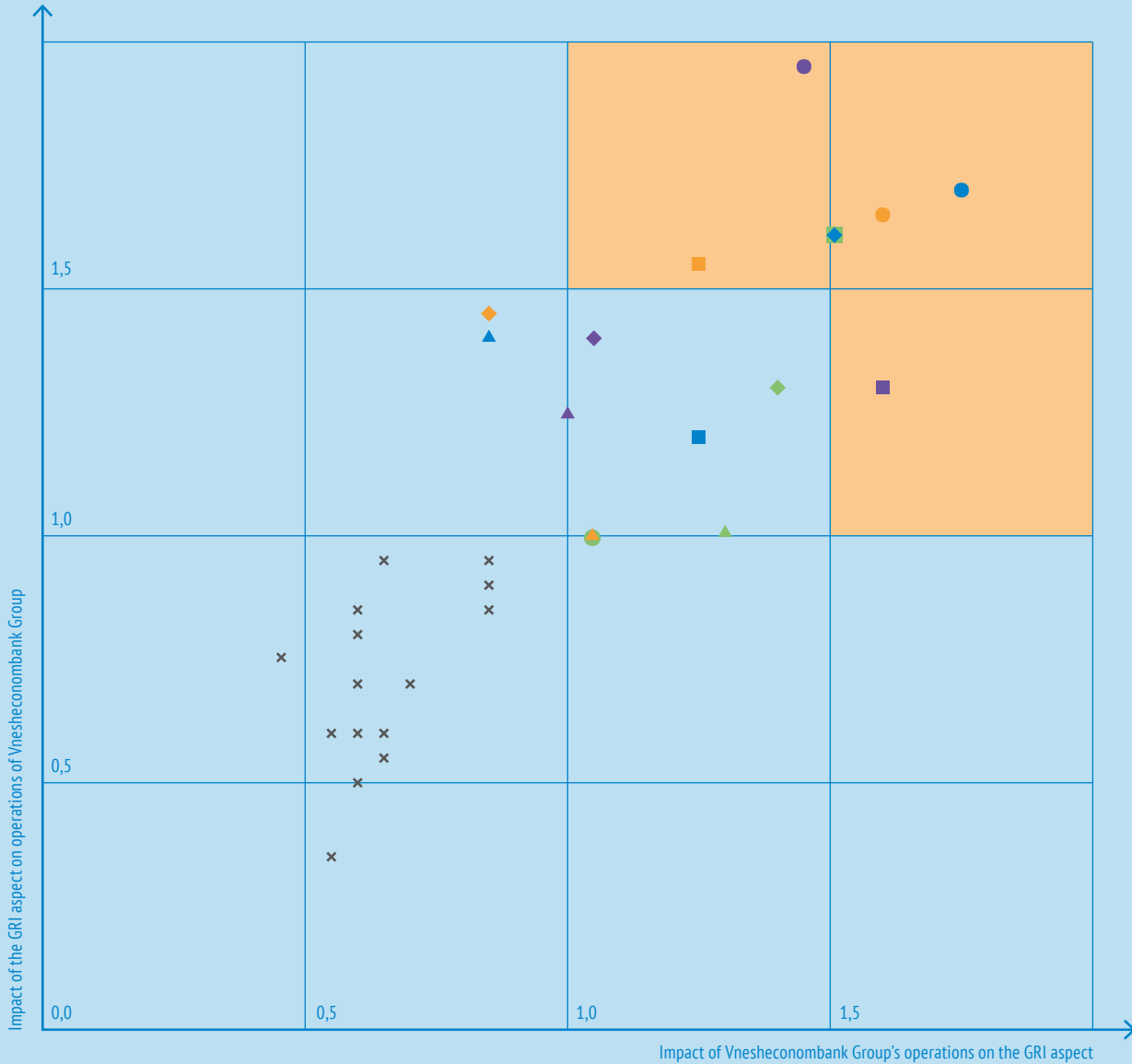
Participants in the hearing were presented with a report about Vnesheconombank's sustainability initiatives on embedding responsible financing principles and mechanisms for assessment of the energy efficiency of investment projects into the Bank's investment lending operations. Participants were also provided with information about milestones on the path towards Vnesheconombank Group's non-financial reporting system and the plans for its further development, including by more actively involving stakeholders in non-financial reporting.

During the hearing, participants discussed the Report's concept and brought forward proposals on determining its contents and selecting priority topics. Participants were also asked to fill in a questionnaire to assess materiality of GRI aspects that were to be disclosed in the Report. The results of the stakeholder survey and a further analysis of key business lines of Vnesheconombank and the Group's entities served as the basis for the ranking map of GRI Material Aspects. The procedure for determining and ranking of aspects that are material for Vnesheconombank Group was certified by an independent auditor (see [Appendix 11](#)).



# Map of GRI Aspects that are Material for Vnesheconombank Group

◀ G 4-18  
G 4-19



- Social and environmental assessment of projects financed
- Fines for default in legislation
- Economic performance
- ◆ Surveys measuring employee satisfaction
- Anti-corruption activities
- ◆ Employee training and career development
- ◆ Priority support to socially and environmentally important projects
- ▲ Assessment of the impact of the organisation's operations on local communities
- Initiatives aimed to enhance financial literacy of customers and partners
- ▲ Social programmes for employees
- Indirect (social and environmental) impact by the organisation's operations
- ▲ Non-discrimination
- Specialised training of the organisation's employees in responsible financing
- ▲ General environmental expenses and investment
- Surveys measuring customers' and partners' satisfaction with services provided
- Supplier environmental assessment
- x Minor aspects
- GRI aspects that are to be disclosed in the Report

# 07

Corporate  
Life





## 7.1 HR POLICY

*Vnesheconombank's HR policy seeks to build a professional, loyal and motivated team that is capable of ensuring efficient handling by the Bank the functions of the national development institution. Recruiting and retaining highly qualified professionals is among the key priorities of Vnesheconombank. As a responsible employer, the Bank guarantees decent working and leisure conditions to its employees, unlocks their professional potential and provides them with social protection.*

In conducting our HR policy, we seek to continuously develop the methodological and regulatory personnel management framework by reference to advanced knowledge, standards and technologies in this area. To make its HR policy more efficient, the Bank and the Group's organisations have drafted regulatory documents that govern a broad range of personnel management issues: codes of corporate conduct, collective bargaining agreements, social support programmes, regulations on employee remuneration and motivation, training and career enhancement programmes, and regulations on annual personnel performance appraisal.

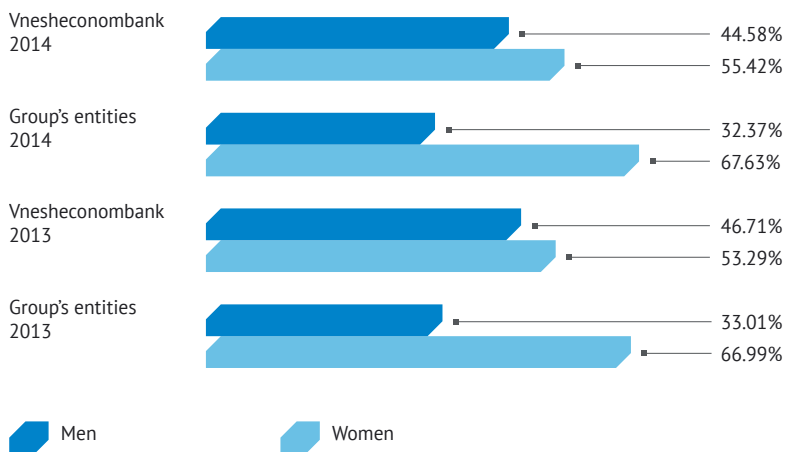
The personnel management system will be further improved under Vnesheconombank's Development Strategy for 2015–2020 that provides for a more centralised personnel management function across the Group, including building a centre of competence for personnel management in Vnesheconombank Group. In implementing the Strategy, we will particularly focus on building a personnel continuity framework, improving the remuneration system and developing a knowledge management and exchange system.

## Personnel Details

As at the end of 2014, the actual headcount of Vnesheconombank was 2,095, which is 140 employees less than in the previous reporting period. The actual headcount in the Group's entities declined by 737 employees from 14,572 employees in 2013 to 13,835 employees in 2014.

Vnesheconombank Group's personnel structure did not change year-on-year. There was an insignificant predominance of women across the Group in general, including Vnesheconombank. Most employees of Vnesheconombank and the Group's entities are persons aged between 30 and 50 years.

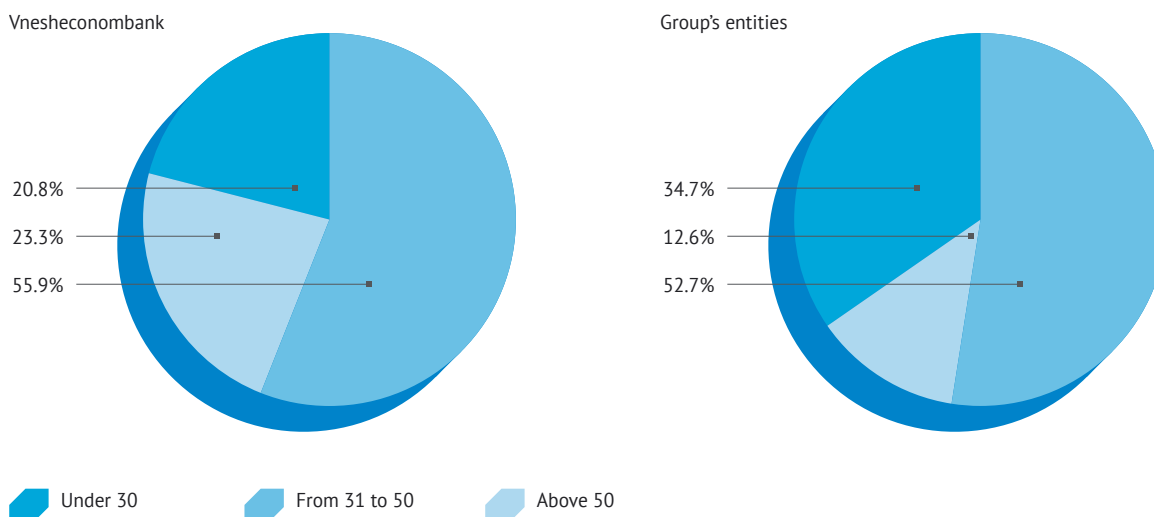
### Breakdown of the personnel of Vnesheconombank and the Group's entities by gender



The Bank and the Group's organisations regularly invite master and other programme students and postgraduates of major financial higher education institutions for traineeships and internships in its units to build a pool of young talented professionals. The best of them are offered an opportunity to join the team of Vnesheconombank and the Group's organisations on a permanent basis. A total of 28 young professionals out of those who had previously completed internships were employed by the Group in general in 2014.

A breakdown of Vnesheconombank Group's personnel by type of employment, type of agreement, category of employees and gender is given in [Appendix 2](#), and personnel turnover data, in [Appendix 3](#).

### Breakdown of the personnel of Vnesheconombank and the Group's entities by age



## Remuneration and Motivation System

89 employees of Vnesheconombank were awarded Best Employee/Best Employee of Vnesheconombank badges in 2014, the names of 10 employees were entered into the Book of Honour of Vnesheconombank, and 140 employees received a Letter of Gratitude from the Chairman of Vnesheconombank.

The personnel remuneration and motivation system applied in Vnesheconombank relies on a differentiated approach to incentives based on personal performance and performance against corporate key performance indicators. The level of remuneration of the Bank is determined based on standardised transparent mechanisms that enhance personnel motivation to successfully perform their job duties.

Most organisations of Vnesheconombank Group also put in place an annual employee performance appraisal system that will serve to determine the amount of the bonus portion based on personal performance. 4,836 employees of Vnesheconombank Group (1,950 men and 2,886 women)

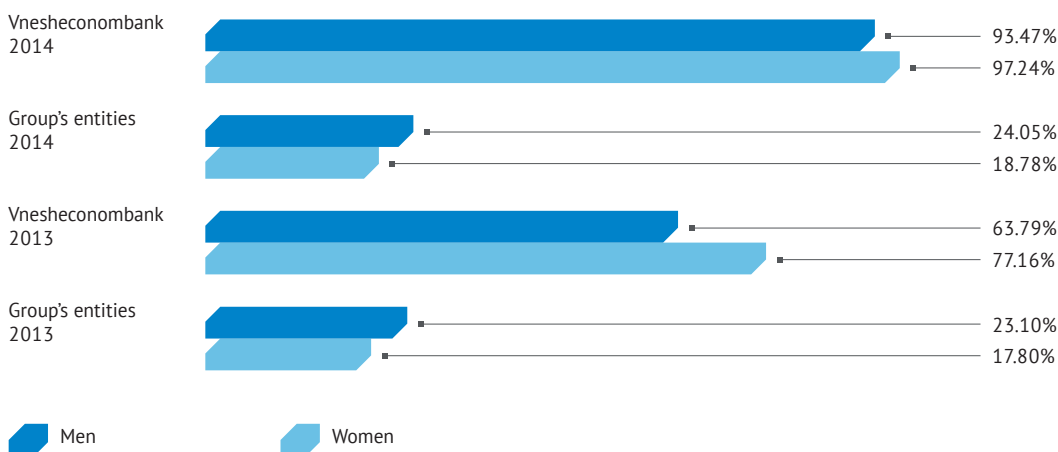
underwent performance appraisal in 2014, which is by 402 persons higher than in the previous year.

Data on the share of those employees of Vnesheconombank and the Group's entities who underwent performance appraisal, broken down by employee category, is given in [Appendix 6](#).

The overall level of remuneration of Vnesheconombank Group's employees is in line with average market figures of the credit and financial industry. In 2014, the size of salary payable to entry-level employees in Vnesheconombank was RUB 14,400, which exceeds the minimum wage set out in the Agreement between the Moscow Government, Moscow Associations of Trade Unions and Moscow Associations of Employers by 1.12 times.

The ratio of salaries payable to entry-level employees of Vnesheconombank Group to the existing minimum wage is given in [Appendix 8](#).

Share of employees of Vnesheconombank and the Group's entities who underwent performance appraisal broken down by gender



## Employee Professional Development

Over 13 thousand employees of Vnesheconombank Group took part in training events in 2014. The average number of hours per employee was 44.6 hours, which is three times more than in 2013.

Maintaining a high professional level of employees and teaching them new skills are among the principal priorities of the HR policy of Vnesheconombank and the Group's entities. To this end, Vnesheconombank operates a comprehensive multi-module personnel training programme that provides for organisation of training events on:

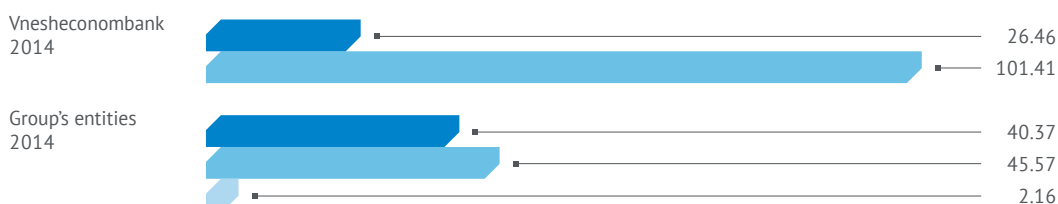
- / anti-money laundering and counter terrorist financing;
- / combating the illegal use of insider information;
- / accounting and IFRS;
- / management, finance and investment;

- / foreign languages and information technologies;
- / occupational and fire safety;
- / further education programmes.

1,976 employees of Vnesheconombank were trained under the programme in 2014, which is a substantial improvement from 2013 when 1,270 employees were trained. In 2014, Vnesheconombank launched a corporate training website, more actively used distance learning methods and increased the number of educational programmes available to various categories of employees. These steps resulted in a stronger employee involvement in the programme's events.

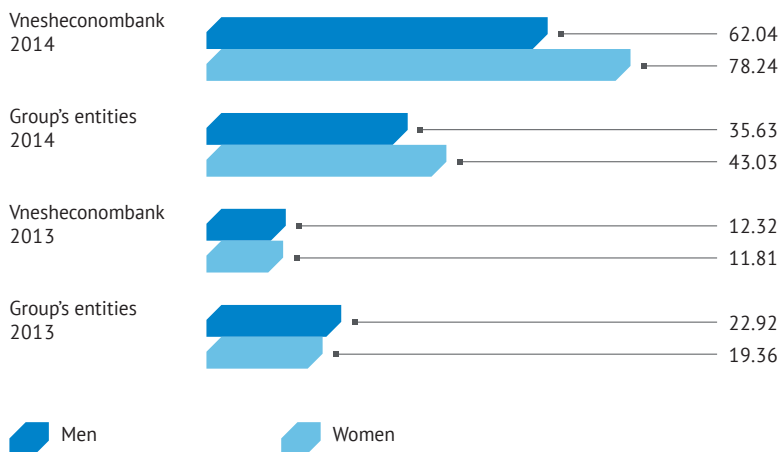
Vnesheconombank and the Group's entities place a special emphasis on providing further education for their employees and training them in new knowledge and skills to remain highly competitive in the labour market.

Average number of training hours per employee of Vnesheconombank and the Group's entities broken down by employee category



Executives
  Specialists
  Other employees (technical staff)

Average number of training hours per employee of Vnesheconombank and the Group's entities broken down by gender<sup>7</sup>



A total of 1,021 employees underwent personal competence improvement training in 2014, while 424 employees attended foreign language courses, and 240 employees went to computer literacy courses. 16 employees were trained under higher education programmes, and 3 employees earned an MBA degree.

Vnesheconombank and most entities of the Group regularly survey their employees that have completed training to assess efficiency of training. Feedback results are used, among other things, to prepare personal employee development plans.

## Social Programmes

In 2014, Vnesheconombank Group provided financial support to more than 6,176 thousand employees for a total of RUB 4,738 mn.

Social programmes implemented by Vnesheconombank and the Group's entities seek to provide a high level of employee protection, increase their motivation and promote healthy lifestyle among the employees. The list of social programmes available to employees of Vnesheconombank and most entities of the Group include voluntary health

insurance (VHI) and refundable costs of fitness. Some entities of the Group, including Vnesheconombank, also offer their employees and their family members discounts on resort treatment and recreational activities. Vnesheconombank also runs a programme for non-government pension security under an agreement with Non-Government Fund 'Podderzhka'.

Vnesheconombank places a particular emphasis on social programmes for support to maternity and childhood. The Bank's integrated VHI programme offers such additional options as 'Prenatal Supervision of Pregnant Women' and 'Obstetric Aid', which are available to its employees' wives since 2014. The Bank also operates a special VHI programme for employees' children aged from 0 to 3. More than 200 employees of the Bank recurred to this programme in 2014.

<sup>7</sup> 2013 data is given net of BelVEB since the bank's records did not provide for a breakdown by gender.



## Performance under Social Programmes of Vnesheconombank Group in 2014

Type of social programme	Vnesheconombank Group <sup>8</sup>														Number of Vnesheconombank Group's employees who recurred to social programmes in 2014	
	Vnesheconombank	SME Bank	Globexbank	Sviaz-Bank	BelVEB	Prominvestbank	VEB-Leasing	EXIAR	VEB Engineering	VEB Capital	FCPF	RDIF	NCDC	The Far East and Baikal Region Development Fund	VEB Innovations Fund	
Voluntary Health Insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	7,790 persons
Mother and child welfare	✓			✓	✓		✓								✓	4,077 persons
Accident insurance	✓		✓	✓	✓	✓	✓				✓				✓	1,915 policies
Financial aid	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓	6,176 persons
Fitness	✓	✓	✓	✓		✓		✓			✓	✓			✓	869 persons
Recreation and health resorts	✓			✓	✓											776 persons

Apart from Vnesheconombank, special mother and child welfare programmes are run by Sviaz-Bank, VEB-Leasing, BelVEB and VEB Innovations Fund. More than 4 young families across the Group received financial aid in connection with the birth or adoption of a child in 2014 for a total amount exceeding RUB 8.1 mn.

Data on the number of Vnesheconombank Group's employees who took a maternity or a parental leave in 2014 and a breakdown of employees returning from parental leave by gender is given in [Appendix 4](#).

Most entities of the Group offer free accident insurance to their employees working with cash or involved in recovery of leased-out property. Vnesheconombank's employees also have access to subsidised personal property and car insurance programmes and may take out a healthcare policy for private trips abroad.

In 2014, some of the Group's entities put in place additional measures for social support to employees, including SME Bank's initiatives to refund employees who refused to take out a VHI policy (55 persons) and to pay an extra to a temporary disability allowance for up to 10 days (185 persons).

<sup>8</sup> Net of VEB Asia.

Sviaz-Bank has a tradition of presenting gifts on the occasion of national holidays and awards to winners of sports competitions and professional contests. During the year, the bank gave out over 2 thousand gifts to its employees and their family members for a total of RUB 1.76 mn.

Vnesheconombank takes special care about retiree members of the Council of Labour Veterans of Vnesheconombank who are paid monthly non-government pension under an agreement with Non-State Pension Fund 'Vnesheconomfond'.

Those former employees of Vnesheconombank who joined the Council of Labour Veterans are also offered an extended social package that includes VHI insurance, regular financial aid, and recreational, health resort and rehabilitation opportunities financed by Vnesheconombank.

## Occupational Health and Safety

In 2014, Vnesheconombank Group evaluated working conditions at **1,012 workplaces**. More than **7.4 thousand employees** underwent various forms of OHS training and site briefings.

Vnesheconombank and the Group's entities run an occupational health and safety programme to prevent occupational injuries and diseases. All entities of the Group have in place regulatory documents that govern safe working conditions, train and test their employees, and take a number of additional fire safety measures.

In 2014, Vnesheconombank Group recorded 5 occupational injuries: two cases in Sviaz-Bank, one in Vnesheconombank, one in Globexbank and one in VEB-Leasing. Every case was subject to corporate investigations in line with Russian legislation. All injuries were minor according to medical assessment reports. Management of the Group's entities took the necessary steps to prevent similar cases in future.

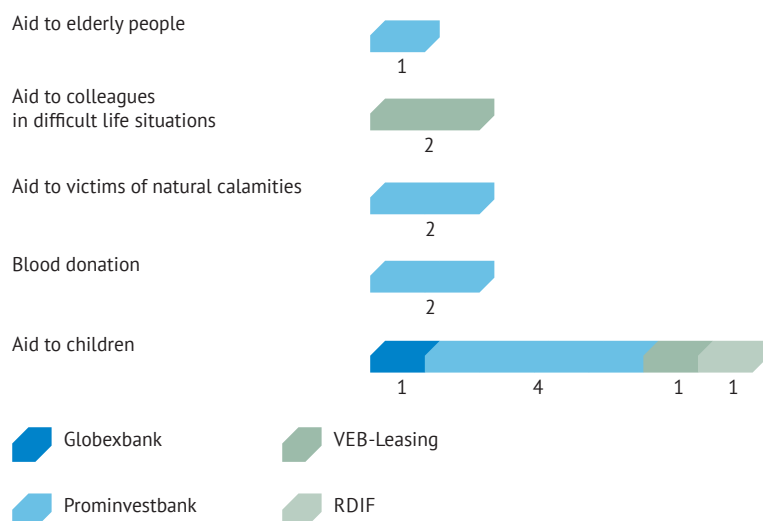
Occupational injury and occupational disease rates and a breakdown of lost work days for Vnesheconombank Group are given in [Appendix 7](#).

## 7.2 VOLUNTEER MOVEMENT

*Vnesheconombank sees promoting the volunteer movement as a priority in building a corporate culture that reflects the active attitude of the Bank's employees towards life. Increasingly more employees of the Bank and their family members get involved in volunteer campaigns every year, with the number of campaigns ever growing and areas covered by volunteer activities ever expanding. The idea of volunteering is also becoming more and more welcomed by employees of the Group's entities.*

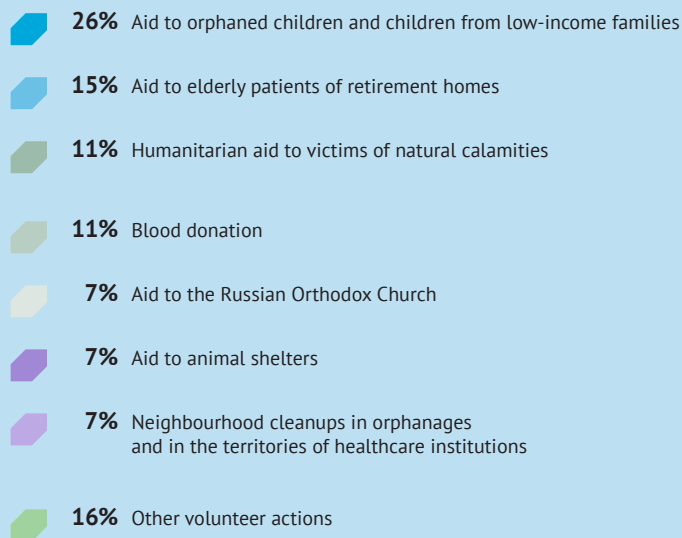
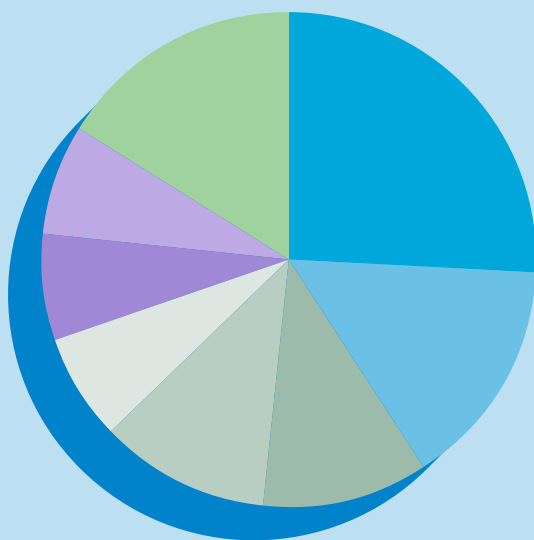
In 2014, Vnesheconombank ran over 20 volunteer events, while the Group's entities organised 14 volunteer events.

### Number of volunteer activities run by the Group's entities in 2014



In 2014, Vnesheconombank organised more than 21 volunteer activities that involved over 500 of the Bank's employees. They included blood donation that has already become a corporate tradition, aid to children from low-income families before the start of the school year, assistance with family adoption for orphanage residents from the Amur, Kemerovo, Samara and Ryazan Regions and the Primorye Territory, support to elderly patients of retirement homes in the Moscow, Pskov, Ryazan and Tula Regions, support to the Russian Orthodox Church, aid to victims of natural disasters and many others. In 2014, the Bank's volunteers also joined the 'Books in Parks' festival held in Moscow, took part in a donation project for 'BlagoButik' charitable shop and sold hand-made souvenirs during the 'Dushevniy Bazar' charitable festival.

## Areas of Volunteer Activities by Vnesheconombank in 2014 (% of total number of activities)



On 25 April, volunteers of Vnesheconombank Group held their first outside event: a visit to a neighbourhood cleanup in a boarding school for health-challenged children sponsored by the Bank in the village of Almazovo

### Neighbourhood cleanup in a boarding school for health-challenged children

(Shcholkovskiy District, Moscow Region). The cleanup was organised at the request of the boarding school's management.

Over 60 volunteers took part in the event, including employees from Vnesheconombank, SME Bank, Globexbank, Sviaz-Bank, VEB-Leasing, EXIAR, VEB Capital, FCPF and VEB Innovations Fund. Many volunteers came to the cleanup with their families and friends.

During the event, the Group's volunteers cleaned and improved the territory around the boarding school. Tools and planting stock were also bought by the volunteers. They also prepared presents for the school's residents: board games, toys, paints, albums and marker pens, art kits, fruit and sweets.



### Donor Days

In 2014, Prominvestbank held two Donor Days that involved 133 employees of the bank. These events held for children suffering from cancer gathered 52.17 litres of blood. Chief Medical Officer of Kiev Regional Blood Centre expressed his gratitude to Prominvestbank's team for their empathy and involvement in problems of ill children who require donor blood components.

## Volunteer activities by subsidiaries of the Group

### New Year for Kids

On 24 December, Globexbank jointly with Charitable Oncological Foundation 'Romashka' held the 'New Year for Kids' event. The bank's employees organised a theatrical show for 28 children under treatment in the kidney transplantation unit of the Russian Children's Clinical Hospital. After the event, Ded Moroz (Father Frost, or Russian Santa Claus) and Snegurochka (Snow Maiden), acted by volunteers, presented each kid with a portable video game console. The bank's volunteers also donated a wheelchair and a dialysis kit to the transplantation unit.

### Return to Life

From 17 to 26 November, VEB-Leasing ran a fund raising event for a seriously ill child suffering from chylothorax, a rare and grave condition. The company's employees collected over RUB 230 thousand that were transferred to the account of the boy's family. This money helped to a great extent to pay for the rehabilitation course organised for the boy in a specialised clinic in Germany.

In 2014, in response to the rising involvement of our employees in the volunteer movement, the Bank set up a working group on corporate volunteering. Any employee of the Bank could apply for membership in the working group. The final group of 7 members was determined by drawing lots. The membership of the working group is planned to be renewed on an annual basis. The group is responsible for identifying key development areas of corporate volunteering to promote fair and transparent decision-making. In 2014, Vnesheconombank continued implementing its volunteering development initiative across the Group.

An important outcome of these efforts was the first joint project by Vnesheconombank Group's employees: a neighbourhood cleanup for a Moscow Region boarding school for health-challenged children. Employees of the Group's entities also took part in donation activities of Vnesheconombank. A number of the Group's entities – Globexbank, Prominvestbank, VEB-Leasing and RDIF – also held their own volunteer events.

## 7.3 GREEN OFFICE

*Care for the environment is a fundamental value of Vnesheconombank. Although the Bank's operations have no direct material environmental impact, we are consistently improving the environmental aspects of our office activities. As a result, Vnesheconombank was ranked among leaders in the first Russian rating of 'Green Offices of Russia – 2014' organised by Ecobureau GREENS supported by the Russian Ministry of Economic Development and the Department for Environmental Management and Protection of Moscow.*

In general, environmental investment across the Group exceeded RUB 1,388.7 mn, where operation expenses were only 0.55%.

In 2014, Vnesheconombank completed its Corporate Environmental Policy that sets out key approaches of the Bank to embedding green office principles in its housekeeping activities. This document approved in early 2015 is driven by the lifecycle approach and provides for cutting back the adverse environmental impact of the Bank's housekeeping activities at all of its stages: from the procurement procedure to the choice of waste disposal methods.

The lifecycle approach used by the Bank is fully compliant with all requirements of environmental laws and factors in recommendations of Russian and international sustainability and environmental management standards.

Under this approach, all decisions of the Bank related to its procurement policy, resource consumption and waste management are made subject to their environmental implications.

SME Bank, Sviaz-Bank, BelVEB and Prominvestbank apply the most comprehensive approach to management of environmental aspects of housekeeping among Vnesheconombank Group's entities. Other entities have in place regulatory documents that govern the rational use of resources and reduce the environmental impact of office activities.

## Principles of Vnesheconombank's Corporate Environmental Policies

### Green procurement policies

- When formulating the requirements for procured goods, Vnesheconombank focuses on the environmental characteristics of goods, works and services and gives preferences for the products that have a positive or a minimum negative environmental impact

### Sustainable resource consumption

- Vnesheconombank takes the business and administrative decisions on commodity and material valuables usage, energy and heat consumption, water management, automobile transportation and waste management with due regard for the ecological footprint

### Management of environmental impact

- Vnesheconombank annually develops the Environmental Action Plan in order to more efficiently manage its own environmental impact

### Interaction with stakeholders

- To keep a wide range of stakeholders closely informed, Vnesheconombank annually publishes its sustainability reports that reflect the performance of the Bank and its subsidiaries in the area of corporate social and environmental responsibility

## Responsible Management of the Environmental Impact of Vnesheconombank Group

### Resource

#### Inventories

Fluorescent lamps  
**12.3 thousand lamps**

Computer equipment and parts  
**4,154 units<sup>9</sup>**

Cartridges  
**34 thousand units**

Paper  
 A4 – **690 tonnes**  
 A3 – **3.79 tonnes**  
 Paper for colour printing –  
**3.83 tonnes**

### Resource management approaches

- Take into account environmental parameters of goods in procurement procedures
- Increase the share of energy efficient and the environmentally safest lamps (mostly LED)
- Implement electronic document flow
- Streamline the use of office resources (put equipment on saving operation mode; share copying equipment; set paper use limits; use double-sided printing; use drafts, etc.)

#### Energy

Electricity  
**143,449 GJ**

Heat  
**113,909 GJ**

- Use advanced high energy saving class equipment
- Adjust heat supply and ventilation levels in office premises
- Run an energy survey
- Develop energy saving and energy efficiency measures

#### Water

Utility water  
**184 thousand cu m**

- Run scheduled preventive maintenance and routine maintenance of sanitary equipment and engineering water supply and disposal systems
- Refit sanitary equipment with devices to cut water consumption

#### Corporate cars

Fuel  
**2.9 mn litres**

Diesel fuel  
**0.6 mn litres**

Repair and replacement of corporate cars  
**64 cars**

- Use high-grade fuel
- Reduce total mileage by streamlining corporate itineraries and using advanced means of communication
- Replace outdated corporate cars with high environmental class cars (at least Euro 4)
- Regularly undergo maintenance only in specialised organisations
- Include the cost of parts and expendables in maintenance agreements
- Provide for disposal of all waste in maintenance agreements

<sup>9</sup> Data for Vnesheconombank.



## Waste management approaches

- Transfer Hazard Grade 1 waste to a specialised entity for neutralisation and Hazard Grade 4–5 waste for disposal at a burial site (in leased premises via the lessor)
- Transfer Hazard Grade 3 waste to a specialised entity or a supplier for disposal, Hazard Grade 4–5 waste for disposal at a burial site and paper waste for recycling (in leased premises via the lessor)

## Amount of waste produced in 2014

**11.5 thousand units** of mercury-containing waste

**2,747.7 tonnes** of MSW

**2,854 units** of equipment

**10.2 thousand** cartridges

**78.34 tonnes** of paper waste

- Reduce CO<sub>2</sub> emissions by cutting down electricity and heat consumption

**27,773 tonnes** of CO<sub>2</sub> equivalent

- Sign utility services agreements

Under the agreements, water disposal should be equal to water consumption

- Have toxicity of exhaust gases monitored as part of corporate car maintenance
- Have quality of parts and expendables monitored as part of corporate car maintenance

**8.6 thousand tonnes** of CO<sub>2</sub> equivalent  
Number of decommissioned **131 cars**

Appendix 1.  
GRI G4 Content Index for Core Report Variant Prepared According to Sustainability Reporting Guidelines for Global Reporting Initiative (GRI) and Table of Compliance with UN Global Compact's Principles



GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>Strategy and Analysis</b>				
<b>G4-1</b> Statement from the most senior decision-maker of the organisation		Chairman's Statement	4-7	✓
<b>G4-2</b> Description of key impacts, risks and opportunities	<b>Principles 1-10</b>	1.1. Priority Business Lines of Vnesheconombank Group 6.2. Risk management in Vnesheconombank Group	14-25, 127-132	✓
<b>Organisational profile</b>				
<b>G4-3</b> Name of the organisation		About the Report	8	✓
<b>G4-4</b> Primary brands, products and/or services		1.1. Priority Business Lines of Vnesheconombank Group 1.2. Strategic Development Priorities	14-31	✓
<b>G4-5</b> Location of organisation's headquarters		Appendix 13	193	✓
<b>G4-6</b> Number of countries where the organisation operates		1.1. Priority Business Lines of Vnesheconombank Group 1.2. Strategic Development Priorities 6.4. Stakeholder Engagement	18-23, 28-29, 137-143	✓
<b>G4-7</b> Nature of ownership and legal form		About the Report	8-9	✓
<b>G4-8</b> Markets served		1.1. Priority Business Lines of Vnesheconombank Group 1.2. Strategic Development Priorities 6.4. Stakeholder Engagement	18-23, 28-29, 137-143	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-9</b> Scale of the reporting organisation		1. Vnesheconombank Group Today 2. Investing in Development 3. Development of Economic Potential 4. Improving the Investment Climate 5.1. Investment of Pension Savings 5.2. Construction of Affordable Housing 7.1. HR Policy Appendix 9	14-107, 149,182	✓
<b>G4-10</b> Total number of employees by employment contract, staff and non-staff workforce, gender, employment type, etc.	<b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	7.1. HR Policy Appendix 2	149, 175	✓
<b>G4-11</b> Percentage of total employees covered by collective bargaining agreements	<b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights <b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<i>As of 31 December 2014, collective bargaining agreements were made with all employees of BelVEB and Prominvestbank, while 51% of Vnesheconombank's employees were trade union members</i>		✓
<b>G4-12</b> Supply chain	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	1.1. Priority Business Lines of Vnesheconombank Group 6.3. Responsible Business Practices	24-25, 134-135	✓
<b>G4-13</b> Significant changes during the reporting period regarding size, structure, or ownership or supply chain		<i>No significant changes regarding size, structure or ownership were detected in Vnesheconombank and the Group's entities in 2014</i>		✓
<b>G4-14</b> Precautionary principle	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges	2.1. Investment Management 6.2 Risk Management in Vnesheconombank Group 6.3 Responsible Business Practices 7.3. Green Office <i>The risk management approach described in detail in annual statements for 2014 and the issuer's reports <a href="http://www.veb.ru/en/ifj/rep/annual/">http://www.veb.ru/en/ifj/rep/annual/</a></i>	34-35, 42-44, 128-132, 159-161	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-15</b> Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses		About the Report 2.1. Investment Management 6.4. Stakeholder Engagement	8, 35, 42, 140–141, 143	✓
<b>G4-16</b> Memberships of associations and/or national or international advocacy organisations		6.4. Stakeholder Engagement	140–141, 143	✓
<b>Identified Material Aspects and Boundaries</b>				
<b>G4-17</b> All entities included in the organisation's consolidated financial statements		Consolidated financial statements <a href="http://www.veb.ru/en/ifi/rep/msfo/">http://www.veb.ru/en/ifi/rep/msfo/</a> (p.7)		✓
<b>G4-18</b> The process for defining the report content and the Aspect Boundaries		About the Report 6.4. Stakeholder Engagement	8–9, 144–145	✓
<b>G4-19</b> List of all the material Aspects identified in the process for defining report content		6.4. Stakeholder Engagement	145	✓
<b>G4-20</b> Description of the Aspect Boundary within the organisation for each material Aspect		<i>Disclosed topics are material for all entities of Vnesheconombank Group unless otherwise specified. Calculations for Energy, Water, Emissions and Effluents and Waste Aspects are based on large offices owned and rented by Group's entities. Small leased offices with the rental calculated without a breakdown into the cost of resource consumption, waste disposal, etc., were not accounted</i>		✓
<b>G4-21</b> Description of the Aspect Boundary outside the organisation for each material Aspect		<i>Disclosed topics are immaterial outside Vnesheconombank Group unless otherwise specified</i>		✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-22</b> The effect of any restatements of information provided in previous reports and the reasons for such restatements		<i>There are no restatements of information provided in the VEB Group's Sustainability Report 2013</i>		✓
<b>G4-23</b> Significant changes from previous reporting periods in the Scope and Aspect Boundaries		About the Report	9	✓
<b>Stakeholder Engagement</b>				
<b>G4-24</b> List of stakeholders		6.4. Stakeholder Engagement	139	✓
<b>G4-25</b> Basis for identification and selection of stakeholders with whom to engage		6.4. Stakeholder Engagement	139	✓
<b>G4-26</b> Approach to stakeholder engagement		6.4. Stakeholder Engagement	139	✓
<b>G4-27</b> Key topics and concerns that have been raised through stakeholder engagement		Appendix 10	183	✓
<b>Report Profile</b>				
<b>G4-28</b> Reporting period		01.01 – 31.12.2014		✓
<b>G4-29</b> Date of most recent previous sustainability report		<i>The VEB Group's Sustainability Report 2013 was published in 2014</i>		✓
<b>G4-30</b> Reporting cycle		<i>Vnesheconombank Group publishes its sustainability reports on an annual basis</i>		✓
<b>G4-31</b> Contact point for questions regarding the report or its contents		Appendix 13	193	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-32</b> GRI Content Index		Appendix 1	162-174	✓
<b>G4-33</b> Assurance		About the Report Appendices 11-12	9, 184-192	✓
<b>Governance</b>				
<b>G4-34</b> Governance structure of the organisation, including committees of the highest governance body		6.1. Corporate Governance System	118-126	✓
<b>Ethics and Integrity</b>				
<b>G4-56</b> Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p> <p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p> <p><b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery</p>	<p>6.3. Responsible Business Practices</p> <p>7.1. HR Policy</p> <p>7.3. Green Office</p> <p><i>In Vnesheconombank and most entities of the Group, principles, standards and norms of behaviour are governed by regulatory documents (codes of corporate conduct, codes of ethics and corporate standards, etc.).</i></p> <p><i>Employees are trained in business conduct during an onboard course.</i></p> <p><i>Some entities of the Group also have in place a relevant online training course</i></p>	133-136, 148, 151-152, 158-159	✓
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>EC ECONOMIC</b>				
<b>EC-DMA</b> Disclosures on management approach	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	1.1. Priority Business Lines of Vnesheconombank Group 1.2. Strategic Development Priorities	14-15, 26-31	✓
<b>G4-EC1</b> Direct economic value generated and distributed	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	Appendix 9 5.3. Charity and Sponsorship Annual Report 2014: <a href="http://www.veb.ru/en/ifi/rep/annual/">http://www.veb.ru/en/ifi/rep/annual/</a> Annual reports of Vnesheconombank Group's entities published on their official websites	108, 182	✓
<b>G4-EC3</b> Coverage of the organisation's defined benefit plan obligations	<b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	7.1. HR Policy	154	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-EC4</b> Financial assistance received from government	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	Vnesheconombank Group: Key Highlights 2014 1.1. Priority Business Lines of Vnesheconombank Group	10, 18–23	✓
<b>G4-EC5</b> Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	<b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights <b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	7.1. HR Policy Appendix 8 <i>Salary in Vnesheconombank and the Group's entities is not conditional upon an employee's gender. In the Report, the breakdown by country (Russia, Belarus, Ukraine) is used as a breakdown by significant locations of operation of Vnesheconombank Group</i>	150, 182	✓
<b>G4-EC7</b> Development and impact of infrastructure investments and services supported	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	1.2. Strategic Development Priorities 2. Investing in Development 3. Development of Economic Potential 4. Improving the Investment Climate 5. Investing in the Community	26–27, 34–115	✓
<b>G4-EC8</b> Significant indirect economic impacts, including the extent of impacts	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	1.2. Strategic Development Priorities 2. Investing in Development 3. Development of Economic Potential 4. Improving the Investment Climate 5. Investing in the Community	26–27, 34–115	✓
<b>EN ENVIRONMENTAL</b>				
<b>EN-DMA</b> Disclosures on management approach	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges <b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility <b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies	7.3. Green Office	158–161	✓
<b>G4-EN1</b> Materials used by weight or volume	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges <b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility <b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies	7.3. Green Office	160–161	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-EN3</b> Energy consumption within the organisation	<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility	7.3. Green Office <i>Under the GRI guidelines, quantitative data were converted from kW-h and Gcal into GJ using 0.0036 and 4.1868 ratios, respectively</i>	160-161	✓
<b>G4-EN6</b> Reduction of energy consumption	<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility	<i>In 2014, total consumption of electricity across Vnesheconombank Group was reduced by 35% and constituted 143,449 GJ</i>	160-161	✓
<b>G4-EN8</b> Total water withdrawal by source	<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility	7.3. Green Office <i>In 2014, water consumption across Vnesheconombank Group was reduced by 44% and constituted 183,904 cubic metre</i>	160-161	✓
<b>G4-EN15</b> Direct greenhouse gas emissions	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges <b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility <b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies	7.3. Green Office <i>CO<sub>2</sub> equivalent emissions in relation to electricity consumption and CO<sub>2</sub> equivalent emissions in relation to usage of corporate cars were assessed in line with procedures of European Bank for Reconstruction and Development and guidelines 'Safeguarding the Ozone Layer and the Global Climate System: Issues Related to Hydrofluorocarbons and Perfluorocarbons', respectively</i>	160-161	✓
<b>G4-EN23</b> Total weight of waste by type and disposal method	<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges <b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility <b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies	7.3. Green Office <i>In 2014, municipal solid wastes sent by Vnesheconombank Group to landfills were increased by 12% and reached 2,748 tonnes</i>	160-161	✓
<b>G4-EN29</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility	<i>In 2014, neither Vnesheconombank, nor the Group's entities were liable to any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations</i>		✓



GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-EN30</b> Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	<p><b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges</p> <p><b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility</p> <p><b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies</p>	7.3. Green Office	160–161	✓
<b>G4-EN31</b> Total environmental protection expenditures and investments	<p><b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges</p> <p><b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility</p> <p><b>Principle 9.</b> Businesses should encourage the development and diffusion of environmentally friendly technologies</p>	7.3. Green Office	158	✓
<b>SOCIAL</b>				
<b>LA Labour Practices and Decent Work</b>				
<b>LA-DMA</b> Disclosures on management approach	<b>Principles 1–6</b>	7.1. HR Policy	148, 150–154	✓
<b>G4-LA1</b> Total number and rates of new employee hires and employee turnover by age group, gender and region	<b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	7.1. HR Policy Appendix 3	149, 176–177	✓
<b>G4-LA2</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	7.1. HR Policy <i>Social benefits are offered by Vnesheconombank Group to all staff employees after the probation period</i>	152–154	✓
<b>G4-LA3</b> Return to work and retention rates after parental leave, by gender	<b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation	Appendix 4	178	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-LA4</b> Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>	<p><i>In line with the Russian Labour Code, the notice period in Vnesheconombank and the Group's entities operating in Russia is 2 weeks.</i></p> <p><i>In BelVEB and Prominvestbank, the notice period provision is included in collective bargaining agreements</i></p>		✓
<b>G4-LA6</b> Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p>	<p>7.1. HR Policy Appendix 7</p> <p><i>In its relations with independent contractors, Vnesheconombank and the Group's entities are not liable for health and safety of the contractor's personnel in the work place</i></p>	154, 180-181	✓
<b>G4-LA9</b> Average hours of training per year per employee by gender and by employee category	<p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>	<p>7.1. HR Policy</p> <p><i>Prominvestbank calculates average hours of training per year based on the duration of standard trainings and number of employees subject to these trainings</i></p>	151-152	✓
<b>G4-LA10</b> Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>	7.1. HR Policy	151-152	✓
<b>G4-LA11</b> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p> <p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>	7.1. HR Policy Appendix 6	150, 180	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-LA16</b> Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p> <p><b>Principle 6.</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p> <p><b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery</p>	<i>In 2014, 6 grievances about labour practices were filed by employees of VEB-Leasing and Sviaz-Bank. All grievances were reviewed and resolved in line with Russian labour laws</i>		✓
<b>HR Human Rights</b>				
<b>HR-DMA</b> Disclosures on management approach	<b>Principles 1–6, 10</b>	6.3. Responsible Business Practices 7.1. HR Policy	133–135, 148	✓
<b>G4-HR3</b> Total number of incidents of discrimination and corrective actions taken	<b>Principles 1, 2, 6</b>	<i>All employees of Vnesheconombank Group are guaranteed equal rights and opportunities regardless of their gender, religious and political beliefs, ethnic origin and age. In 2014, no cases of discrimination were identified in Vnesheconombank Group</i>		✓
<b>G4-HR12</b> Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	<b>Principles 1, 2, 6, 10</b>	<i>In 2014, one grievance about violation of human rights of disabled employees was filed with Sviaz-Bank. The grievance was reviewed, and the organisation took all necessary measures to address the identified breaches</i>		✓
<b>S0 Society</b>				
<b>S0-DMA</b> Disclosures on management approach	<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p>	6.3. Responsible Business Practices 6.4. Stakeholder Engagement	133–135, 137–145	✓
<b>G4-S01</b> Percentage of operations with implemented local community engagement, impact assessments and development programmes	<p><b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p>	2.2. Projects for Regional Development and Modernisation of Single-Industry Towns 3.1. Support to SMEs 3.3. Development of Public Private Partnerships	45–54, 68–76, 82–85	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-S03</b> Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	6.3. Responsible Business Practices <i>In 2014, the Group ran a comprehensive analysis of corruption risks in 77 business units of Vnesheconombank, BelVEB, RDIF and the Far East and Baikal Region Development Fund, or 75% of the total number of business units in these entities</i>	133-134	✓
<b>G4-S04</b> Communication and training on anti-corruption policies and procedures	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	6.3. Responsible Business Practices Appendix 5 <i>Vnesheconombank Group does not train business partners on anti-corruption policies and procedures</i>	133-134, 179	✓
<b>G4-S05</b> Confirmed incidents of corruption and actions taken	<b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	<i>No confirmed incidents of corruption were identified in Vnesheconombank and the Group's entities in 2014</i>		✓
<b>G4-S08</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<b>Principle 1.</b> Businesses should work against corruption in all forms, including extortion and bribery <b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses <b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	<i>In 2014, significant fines were imposed on Prominvestbank (RUB 13.25 mn) and Sviaz-Bank (RUB 2.24 mn). The relevant breaches were related to non-compliance with labour laws and non-payments to tax authorities and the Social Security Fund. The fines were paid, and the entities took all necessary steps to address the breaches. No non-financial sanctions regarding Vnesheconombank Group were identified in 2014</i>		✓
<b>G4-S011</b> Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	<b>Principle 1.</b> Businesses should work against corruption in all forms, including extortion and bribery <b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses <b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery	<i>No grievances about projects financed by Vnesheconombank Group were filed by local residents in 2014</i>		✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>PR Product Responsibility</b>				
<b>PR-DMA</b> Disclosures on management approach	<p><b>Principle 1.</b> Businesses should work against corruption in all forms, including extortion and bribery</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p> <p><b>Principle 10.</b> Businesses should work against corruption in all forms, including extortion and bribery</p>	6.3. Responsible Business Practices	133-136	✓
<b>G4-PR5</b> Results of surveys measuring customer satisfaction	<p><b>Principle 1.</b> Businesses should work against corruption in all forms, including extortion and bribery</p> <p><b>Principle 2.</b> Businesses should make sure that they are not complicit in human rights abuses</p>	6.3. Responsible Business Practices	135-136	✓
<b>FS Financial Services Sector Supplement</b>				
<b>FS-DMA</b> Disclosures on management approach	<b>Principles 1, 2, 6-9</b>	<p>About the Report</p> <p>1.2. Strategic Development Priorities</p> <p>2.1. Investment Management</p> <p>3.2. Support to Exports</p> <p>4.2. Developing HR Potential in the Investment Market</p> <p>6.1. Corporate Governance System</p> <p>6.2. Risk Management</p> <p>6.4. Stakeholder Engagement</p> <p>7.3. Green Office</p> <p><i>In 2014, 21 employees of Vnesheconombank and 76 employees of BelVEB completed a specialised training course on management of social and/or environmental risks and responsible financing.</i></p> <p><i>In 2014, Globexbank ran an audit of compliance with environmental and social requirements involving experts from a third-party consultancy</i></p>	8, 28-35, 40-44, 79, 94-97, 126, 128-129, 137-139, 158	✓

GRI G4 disclosures	UN Global Compact's Principles	Section of the Report/Comments	Report page	External assurance
<b>G4-FS6</b> Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/Large) and by sector		1.1. Priority Business Lines of Vnesheconombank Group 1.2. Strategic Development Priorities 2. Investing in Development 3. Development of Economic Potential	16–23, 27–29, 34–85	✓
<b>G4-FS7</b> Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		1.1. Priority Business Lines of Vnesheconombank Group 2. Investing in Development 3. Development of Economic Potential 5.1. Investment of Pension Savings 5.2. Construction of Affordable Housing 6.3. Responsible Business Practices	16–23, 34–85, 102–107, 135–136	✓
<b>G4-FS8</b> Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	<b>Principle 8.</b> Businesses should undertake initiatives to promote greater environmental responsibility	2.4. Environmentally Important Projects	61–63	✓

Appendix 2.  
Breakdown of Vnesheconombank Group's Personnel by Type of Employment,  
Type of Agreement, Category of Employees and Gender

Item	Vnesheconombank		Other entities of the Group		Vnesheconombank Group	
	male	female	male	female	male	female
<b>Breakdown of actual headcount by type of employment and gender</b>						
Total headcount, including:	934	1,161	4,479	9,356	5,413	10,517
Full-time employees	922	1,144	3,661	7,102	4,583	8,246
Part-time employees	12	17	818	2,254	830	2,271
Non-staff workforce	228	69	173	386	401	455
<b>Breakdown of actual headcount by type of agreement and gender</b>						
Total headcount, including:	934	1,161	4,479	9,356	5,413	10,517
Employed under an indefinite-term agreement	922	1,144	3,656	7,099	4,578	8,243
Employed under a fixed-term agreement	12	17	823	2,257	835	2,274
<b>Breakdown of actual headcount by employee category and gender</b>						
Total headcount, including:	934	1,161	4,479	9,356	5,413	10,517
Executives	383	357	1,024	1,178	1,407	1,535
Specialists	480	794	2,837	7,485	3,317	8,279
Other employees (technical staff)	71	10	618	693	689	703

Appendix 3.  
Total Headcount and Personnel Turnover in Vnesheconombank Group  
in 2014 Broken Down by Age and Gender

	Total headcount as of 31 December 2014			Total number of newcomers in 2014		
	Vnesheconombank	Entities of the Group	Vnesheconombank Group	Vnesheconombank	Entities of the Group	Vnesheconombank Group
<b>Total, including</b>	2,095	13,835	15,930	76	3,042	3,118
<b>Men</b>	934	4,479	5,413	41	961	1,002
under 30	200	1,266	1,466	17	524	541
from 31 to 50	473	2,399	2,872	20	386	406
above 50	261	814	1,075	4	51	55
<b>Women</b>	1,161	9,356	10,517	35	2,081	2,116
under 30	236	3,533	3,769	9	1,226	1,235
from 31 to 50	697	4,890	5,587	25	770	795
above 50	228	933	1,161	1	85	86



Share of newcomers (%) in 2014			Total number of dismissed employees in 2014			Personnel turnover in 2014		
Vnesheconombank	Entities of the Group	Vnesheconombank Group	Vnesheconombank	Entities of the Group	Vnesheconombank Group	Vnesheconombank	Entities of the Group	Vnesheconombank Group
3.63	21.99	19.57	216	3,650	3,866	0.10	0.26	0.24
1.96	6.95	6.29	151	1,251	1,402	0.07	0.09	0.09
0.81	3.79	3.40	26	560	586	0.01	0.04	0.04
0.95	2.79	2.55	70	475	545	0.03	0.03	0.03
0.19	0.37	0.35	55	216	271	0.03	0.02	0.02
1.67	15.04	13.28	65	2,399	2,464	0.03	0.17	0.15
0.43	8.86	7.75	20	1,061	1,081	0.01	0.08	0.07
1.19	5.57	4.99	28	1,004	1,032	0.01	0.07	0.06
0.05	0.61	0.54	17	334	351	0.01	0.02	0.02

Appendix 4.  
Breakdown of Employees Returned from Maternity and/or Parental Leave  
in 2014, and Employees Who Stayed with the Employer on their Return from Maternity  
and/or Parental Leave, by Gender

Item	Vnesheconombank		Other entities of the Group		Vnesheconombank Group	
	male	female	male	female	male	female
Total number of employees who took maternity/parental leave in 2014	0	46	0	943	0	989
Total number of employees who stayed with the employer after their return from maternity/parental leave in 2014	1	22	1	243	2	265
Total number of employees who were to return to the employer in 2014 after maternity/parental leave	0	23	1	248	1	271
Ratio of return by employees after maternity/parental leave in 2014 (%)	0	95.7	100	98	200 <sup>10</sup>	97.8
Total number of employees who returned to the employer after maternity/parental leave in 2013 and stayed with the employer as of 31 December 2014 (i.e. who worked for more than one year on their return from maternity/parental leave)	0	31	0	137	0	168
Total number of employees who returned to the employer after maternity/parental leave in 2013	0	33	0	218	0	251
Retention ratio of employees after maternity/parental leave in 2014 (%)	0	93.9	0	62.8	0	66.9

<sup>10</sup> Vnesheconombank keeps records of such employees pursuant to orders granting maternity and/or parental leave to an employee. The excess over 100% is due to the return of an employee from parental leave before a child reaches the age of three.

**Appendix 5.**  
**Total Number and Share of Employees of Vnesheconombank Group Trained**  
**in Anti-Corruption Policies and Procedures Broken Down by Employee Category**

Entity	Number of employees trained in 2014			Share of employees (%) trained in 2014 <sup>11</sup>		
	Executives	Specialists	Other employees (technical staff)	Executives	Specialists	Other employees (technical staff)
Vnesheconombank	672	1,181	1	90.8%	92.7%	1%
SME Bank	1	0	0	3.2%	0%	0%
Globexbank	0	0	0	0%	0%	0%
Sviaz-Bank	0	0	0	0%	0%	0%
BelVEB	0	0	0	0%	0%	0%
Prominvestbank	0	0	0	0%	0%	0%
VEB-Leasing	0	0	0	0%	0%	0%
EXIAR	13	83	0	108.3% <sup>12</sup>	96.5%	0%
VEB Engineering	0	0	0	0%	0%	0%
VEB Capital	0	0	0	0%	0%	0%
FCPF	0	0	0	0%	0%	0%
RDIF	24	78	0	100%	65.5%	0%
NCDC	0	0	0	0%	0%	0%
The Far East and Baikal Region Development Fund	0	0	0	0%	0%	0%
VEB Innovations Fund	0	0	0	0%	0%	0%
VEB Asia	0	0	0	0%	0%	0%
<b>TOTAL</b>	<b>710</b>	<b>1,342</b>	<b>1</b>	<b>24%</b>	<b>11.6%</b>	<b>0.1%</b>

<sup>11</sup> The data is given as a percentage of the actual headcount as of 31 December 2014.

<sup>12</sup> The excess above 100% is due to the renewal of EXIAR's management in 2014.

Appendix 6.  
Breakdown of Vnesheconombank Group's Employees Who Underwent  
Performance Appraisal in 2014 by Employee Category and Gender (%)<sup>13</sup>

Employee category	Vnesheconombank		Other entities of the Group		Vnesheconombank Group	
	male	female	male	female	male	female
Executives	89.8	90.5	26.8	27.8	43.9	42.3
Specialists	110.2 <sup>14</sup>	101.5 <sup>15</sup>	19.8	13.2	32.9	21.7
Other employees (technical staff)	0	0	39.0	63.8	35.0	62.9

Appendix 7.  
Occupational Injury Rate<sup>16</sup>, Occupational Disease Rate, Lost Day Ratio  
and Absenteeism Ratio in Vnesheconombank Group Broken Down by Gender

Entity	Gender	Total number of incidents involving injuries	Injury rate	Occupational disease rate	Lost day ratio	Absenteeism ratio
Vnesheconombank	M	0	0	0	0	29,243.53
	F	1	0.11	0	6.29	32,843.98
SME Bank	M	0	0	0	0	4,409.36
	F	0	0	0	0	8,333.89
Globexbank	M	1	0.17	0	4.19	2,253.98
	F	0	0	0	0	5,112.17
Sviaz-Bank	M	1	0.10	0	10.63	4,073.88
	F	1	0.05	0	0.68	6,854.16

<sup>13</sup> As a percentage of the actual headcount as of 31 December 2014.

<sup>14</sup> The excess above 100% is due to the renewal of Vnesheconombank's personnel in 2014.

<sup>15</sup> The excess above 100% is due to the renewal of Vnesheconombank's personnel in 2014.

<sup>16</sup> The occupational injury rate, occupational disease rate, lost day ratio and absenteeism ratio are calculated in line with GRI Guidelines using the multiplier of 200,000. The lost day ratio due to occupational injuries was calculated in calendar days from day 1 of the employee's absence. Vnesheconombank Group does not keep records of minor injuries that only require first medical aid.

Entity	Gender	Total number of incidents involving injuries	Injury rate	Occupational disease rate	Lost day ratio	Absenteeism ratio
BelVEB	M	0	0	0	0	4,580.83
	F	0	0	0	0	8,027.31
Prominvestbank	M	0	0	0	0	3,581.20
	F	0	0	0	0	6,651.32
VEB-Leasing	M	1	0.16	0	2.03	1,554.64
	F	0	0	0	0	5,089.89
EXIAR	M	0	0	0	0	4,772.40
	F	0	0	0	0	5,259.60
VEB Engineering	M	0	0	0	0	732.60
	F	0	0	0	0	2,347.07
VEB Capital	M	0	0	0	0	1,069.94
	F	0	0	0	0	2,023.79
FCPF	M	0	0	0	0	6,402.64
	F	0	0	0	0	4,943.76
RDIF	M	0	0	0	0	196.76
	F	0	0	0	0	901.93
NCDC	M	0	0	0	0	0
	F	0	0	0	0	163.67
The Far East and Baikal Region Development Fund	M	0	0	0	0	735.29
	F	0	0	0	0	3,985.32
VEB Innovations Fund	M	0	0	0	0	0
	F	0	0	0	0	1,163.47
VEB Asia	M	0	0	0	0	0
	F	0	0	0	0	0

## Appendix 8. Ratios of Entry Level Wage to Existing Minimum Wage<sup>17</sup> by Employee Category

Item	Executives	Specialists	Other employees (technical staff)
Vnesheconombank	2.1	1.0	1.0
Other entities of the Group	3.2	1.3	1.2

## Appendix 9. Direct Economic Value Generated and Distributed by Vnesheconombank Group

Disclosure components	Values, RUB mn (under consolidated IFRS Statements)
<b>1. Direct economic value generated</b>	
<b>Revenues</b>	
Interest income	280,335
Net commission fees	8,122
Non-interest income	42,794
<b>2. Economic value distributed</b>	
Employee wages and benefits	(24,604)
Interest expenditures	(180,046)
Taxes other than profit tax	(5,171)
Profit tax expenditures	(2,583)
<b>3. Economic value retained</b>	
Profit/loss for the reporting period	(249,656)

<sup>17</sup> The defined minimum wage was calculated based on the regional minimum wage applicable in significant locations of Vnesheconombank Group's operation in Russia (Moscow, Yessentuki, Khabarovsk Territory, Primorye Territory), Belarus, Ukraine and Hong Kong.

## Appendix 10. Table of Suggestions Submitted by Stakeholders<sup>18</sup>

◀ G4-27

№	Stakeholder suggestion	Section featuring the suggestion
1	Include in the Report more details on Vnesheconombank's green portfolio	<a href="#">Environmentally Important Projects</a>
2	Include in the Report more information on embedding responsible financing principles in the Bank's investment activities	<a href="#">Investment Management</a>
3	Include in the Report details of the draft Guidelines for Environmental and Social Evaluation of Investment Projects prepared by Vnesheconombank in the Report, including about its key principles and project evaluation criteria	<a href="#">Investment Management</a>
4	Include in the Report more details on developing Vnesheconombank's relations with international organisations in the new geopolitical context	<a href="#">Stakeholder Engagement</a> and <a href="#">Raising Investments</a>
5	Include in the Report information on key financial indicators of Vnesheconombank Group	<a href="#">Direct economic value generated and distributed in Vnesheconombank Group</a>
6	Include in the Report information on the results of the joint project by Vnesheconombank and the International Financial Corporation on setting up a mechanism to assess energy efficiency of the Bank's investment projects	<a href="#">Environmentally Important Projects</a>
7	Extend the list of GRI Indicators disclosed in the Report	Taken into account when preparing the Report
8	Expand the range of stakeholders engaged in the preparation of non-financial reporting and hold a presentation of the Report	Taken into account when preparing the Report

<sup>18</sup> These suggestions were received from stakeholders at the public hearing of the Report's concept held in January 2015 and public assurance of Vnesheconombank Group Sustainable Development Report 2013 by Non-Financial Reporting Council of the RUIE.

Appendix 11.  
Independent Assurance Report on the Sustainability Report 2014



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### Identification and description of the subject matter

At the request of State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank)' (hereinafter 'the Bank') we have performed an assurance engagement. The subject matter of our engagement is the qualitative and quantitative information for 2014 disclosed in the Sustainability Report 2014 (hereinafter 'the Report') of the Bank and its subsidiaries (collectively 'the Group') except for the following matters

- / data provided by third parties;
- / any forward-looking statements on events or planned activities.

The objective of our engagement was to provide a limited level of assurance that the information in the Report is, in all material aspects, a reliable representation of sustainability policies, activities, events and performance of the Group for the year ended December 31, 2014.

As defined in the International Framework for Assurance Engagements issued by International Federation of Accountants (hereinafter 'IFAC'), evidence-gathering procedures in order to obtain limited assurance are substantially less in scope than procedures to obtain reasonable assurance and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

### Identification of the criteria

The criteria of our engagement were the Global Reporting Initiative's Sustainability Reporting Guidelines version G4 (hereinafter 'the GRI G4 Guidelines') and sustainability reporting principles of the Bank as set out in the section 'About the report'. We believe that these criteria are appropriate given the purpose of our assurance engagement.



## Management's responsibilities

The management of the Bank is responsible for the preparation of the Report and the information therein in compliance with the GRI Framework. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances.

## Our responsibilities

Our responsibility is to independently express conclusions that:

- / the information in the Report, in all material respects, provides reliable representation of sustainability policies, activities, events and performance of the Group for the year ended December 31, 2014;
- / the Report is prepared 'in accordance' with the GRI G4 Guidelines using the Core option.

## Summary of work performed

Our engagement was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by IFAC, and accordingly included the following procedures:

- / interviews with representatives of the Banks's and the Group's management responsible for its sustainability policies, activities, performance and relevant reporting;
- / analysis of key documents related to the Bank's sustainability policies, activities, performance and relevant reporting;
- / benchmarking of the Report against sustainability reports of selected national and international development banks;
- / review of a selection of corporate and external publications with respect to the Group's sustainability policies, activities, events, and performance for the year ended December 31, 2014;
- / analysis of material issues in the area of sustainable development identified by the Bank;
- / identification of sustainability issues material for the Group based on the procedures described above and analysis of their reflection in the Report;
- / review of data samples regarding human resources, environment, charity and environmentally and socially significant investment projects, as well as data collection processes to assess whether these data have been collected, prepared, collated and reported appropriately;

- / visits to offices of the Group's organizations in Moscow, Kyiv and Minsk in order to gather evidence supporting the assertions made in the Report on the Group's sustainability policies, activities, events and performance;
- / collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report;
- / assessment of compliance of the Report with relevant sustainability reporting principles of the GRI G4 Guidelines;
- / assessment of compliance of information and data disclosures in the Report with the requirements of the Core option of reporting 'in accordance' with the GRI G4 Guidelines.

We believe that our procedures provide a basis on which we can provide limited assurance. Our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

## Conclusions

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- / the information in the Report, in all material aspects, does not provide reliable representation of sustainability policies, activities, events and performance of the Group for the year ended December 31, 2014 in accordance with the GRI G4 Guidelines and sustainability reporting principles of the Bank as set out in the section 'About the report';
- / the Report is not prepared 'in accordance' with the GRI G4 Guidelines using the Core option.



*Ernst & Young Valuation  
and Advisory Services, LLC*

Moscow  
23 July 2015

Appendix 12



## The Certificate of Public Assurance by the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs

The Council on Non-Financial Reporting of the Russian Union of Industrialists and Entrepreneurs (the "Council") created pursuant to the resolution of the Bureau of the RSPP Management Board (Resolution dated 28 June 2007), has reviewed the 2014 Sustainability Report (the "Report") of the VEB Group at Vnesheconombank's initiative ("VEB", "Vnesheconombank", "Bank").

The Bank requested RSPP to arrange public endorsement of the Report with the Council on Non-Financial Reporting. The Council provides an opinion regarding the value and completeness of the information disclosed about the Bank's activities subject to the corporate responsibility principles contained in the Social Charter of Russian Business.

In the period from 30 June to 26 August 2015, the members of the Council reviewed the Bank's Report and prepared this Opinion in accordance with the Rules for Public Endorsement of Non-Financial Reports approved by the Council. The Council's members possess all required competencies in the field of corporate responsibility, sustainable development and non-financial reporting, act in compliance with ethical principles requiring independent and objective evaluation and express their personal opinions as experts, not the opinions of the organisations they represent.

The information disclosed in the Report was assessed against the criteria of completeness and relevance.

Information is deemed relevant if it reflects the VEB Group's activities in implementing corporate responsibility principles contained in the Social Charter of Russian Business ([www.rspp.ru](http://www.rspp.ru)).

Information is deemed complete if the Bank provides a comprehensive picture of its activities including values and baseline strategic objectives, governance systems and structures, achievements, key results and the stakeholder engagement system.

The use of international reporting principles is taken into account for the public endorsement purpose. However, confirmation as to the extent to which the Report complies with international reporting principles is beyond the scope of this Opinion.

Responsibility for the information and statements provided in the Report lies with Vnesheconombank. Accuracy of factual data in this Report is outside the scope of public endorsement.

This Opinion has been prepared for the VEB Group which is entitled to publish it without amendment and use it in internal corporate communications and for the stakeholder engagement purposes.

## Findings

Having analysed this Report and the publicly available information published on the Bank's official website and after having a group discussion of the results of independent assessment performed by members of RSPP Council on Non-Financial Reporting, the Council confirms the following:

The Bank's 2014 Sustainability Report contains significant information, covers the key aspects of responsible business practices in compliance with the principles of the Social Charter of Russian Business and discloses complete information on the Bank's activities on the above aspects.

The Council's recommendations provided in its Opinion on the Bank's 2013 Report have been taken on board in the 2014 Report. In particular, the Report gives a more detailed overview of the Bank's activities relating to implementation of the system for assessment of social and economic impact of its lending and investment practices and highlights the progress of developing a methodology to assess environmental and social effects of investment projects. More complete information is provided both on economic aspects of the Bank's operations and on the composition of the used indicators. The practice of discussing the Report with the stakeholders during its preparation has been introduced.

The Bank's 2014 Report contains significant information covering the following aspects of responsible business practices:

**Economic freedom and responsibility:** The Report outlines the structure and the main areas of the Bank's activities and the Bank's development strategy for 2015–2020 approved in 2014. It describes the role of the Bank as a development bank and as a long-term lender for the national economy in the context of restricted access to global capital markets for Russian businesses. It also highlights priority growth areas for the Bank's investment activities, including those connected with investment projects identified as significant by the government. The Report discloses results of Vnesheconombank's lending and investment activities and outlines the structure of approved projects by sectors and regions. The 2014 financial results are presented as compared against the figures for the period 2011–2013 and against the strategic baselines. The Report shows how the sustainability and corporate responsibility principles are integrated in the Bank's strategy and operations. It is also pointed out that the Bank joined the International Finance Corporation's initiative on implementing principles of corporate governance in investment activity. It is stated that the Bank's system for assessment of social and economic impact of its lending and investment practices has been tested. The report gives an insight into the Bank's corporate governance system, measures for its development in 2014 and future objectives. The risk management system and improvement measures taken in 2014 are presented with a due regard for higher geopolitical and macroeconomic risks. It is stated that the Bank approved the Code of Ethics and Business Conduct and took actions to prevent corruption and other violations. The Report reveals data on the number and share of the Bank's employees who attended trainings on anti-corruption policies and procedures.

**Business partnerships:** The Report looks at business partnerships with the key Bank's stakeholders. It gives an insight into the practice of working with regional authorities pursuant to relevant arrangements which includes, among other things, the Bank's assistance in preparing big investment projects and developing projects for regions and cities. The Report provides information on the Bank's collaboration with development institutions and stakeholders under a multilateral agreement to ensure continuous

financing of innovation projects: the Bank works with the Russian Academy of Sciences and the Skolkovo Foundation to support innovation projects and contributes to joint initiatives aimed at improving the business climate. As follows from the Report, the Bank cooperates with international development institutions, including joint efforts under the targeted funding programme for Russian energy efficiency projects. The Report highlights the progress in implementation of responsible business principles in relations with clients and business partners, including in the field of ensuring transparency in procurement and increasing clients' satisfaction. It gives an overview of the Bank's SME aid programmes along with the results of activities in this direction. The Report touches upon personnel development issues, remuneration system, social aid and advanced training programmes and covers measures to ensure operational safety. It contains information regarding the Bank's participation in initiatives aimed at promoting corporate social responsibility and sustainability principles. It informs that the concept of the 2014 Report was discussed with the stakeholders in the course of its preparation.

**Human rights:** The Report provides information on the Bank's compliance with human rights principles. It is declared that all the VEB Group's employees have equal rights and opportunities irrespective of their sex, religion and political views, nationality and age. There is a grievance mechanism in place to address human rights issues, a practice of identifying and responding to complaints of employees and representatives of local communities in respect of projects financed by the VEB Group.

**Environmental protection:** As follows from the Report, the Bank regards environmental responsibility as one of its top priorities in making investment decisions: all projects considered by the Bank are assessed for compliance with the national environmental legislation. The Report provides information on environmentally significant projects co-financed by the Bank indicating the share of projects in Vnesheconombank's portfolio which promote sustainable solutions, environmental protection and improvement of ecological environment. The Report informs that, in 2014, the Bank has completed its work on developing the Corporate Environmental Policy which defines the main approaches to integrating the 'green office' principles into its administration and maintenance activity. It is pointed out that the Bank's efforts in increasing efficiency of green office management deserved high public recognition.

**Contribution to development of local communities:** The Report covers the Bank's efforts in ensuring sustainable integrated development of territories, stimulating economic development of constituent entities of the Russian Federation, promoting business activity in the regions, creating new economic growth centres based on competitive advantages of the regions, contributing to diversification of the economy of single-industry municipalities. It provides information regarding the Bank's role in the development of industrial parks and clusters, single-industry towns, small and medium-sized businesses and summarises results of the Bank's programme for financing construction of affordable housing. The Report describes the Bank's charity work, including the structure and cost of projects in science, education, culture, art, sport, healthcare, environmental protection and other significant projects implemented in 2014.

## Final Provisions

In general, the 2014 Sustainability Report of the VEB Group presents a detailed overview of the Bank's business practice aligned with the corporate social responsibility principles in the context of stakeholder engagement. The Report reflects the strategic priorities for development of the Bank, its participation in large-scale investment projects in the context of restricted access to global capital markets and contribution to development programmes in various sectors and regions. It describes the Bank's approach to the implementation of responsible investment principles including the initiative to develop and test methods of environmental and social assessment of investment projects.

The Report is prepared using the recommendations applied in international accounting practices (GRI 4 Guidelines, GRI Sector Supplement for financial services sector, AA 1000, UN GC), which ensures consistency of information with data from previous reporting periods and comparability with reports of other companies.

The 2014 Report is the sixth non-financial report of the Bank and the fourth consolidated report of the VEB Group which evidences consistency in the reporting process. During preparation of the 2014 Report, special meetings with stakeholders were organised to discuss its concept.

The Bank continues to use various forms of independent evaluation, review and affirmation of the Report (internal control, professional audit review and public endorsement) which proves a responsible attitude of the Bank to informing stakeholders and the quality of information disclosed.

The Council notes that the Bank has been actively promoting the corporate responsibility and sustainability principles in business circles both on national and international levels, including as part of adherence to the UN Global Compact.

## Recommendations

Recognising the strengths of this Report, the Council suggests paying attention to certain aspects relating to relevance and completeness of disclosed information which are significant for the stakeholders and should be taken into account in future reporting cycles.

The Council believes that it would be advisable for the Bank to continue applying recommendations issued for the 2013 Report in the Bank's reporting practice.

For the purposes of improving completeness of information, in future, the Bank should provide social and environmental indicators as compared to the target baselines in a similar manner as financial performance indicators are displayed in the 2014 Report. The Bank should consider the broader application of the approach used in the Report by disclosing data for several years to show the trend. Particularly, the above recommendation is relevant to indicators characterising costs for personnel.

It should be taken into account that the quality of reporting depends both on transparency of factual information and on its interpretation including comments regarding changes of such data over time. In this connection, the next report should provide information on costs for charity projects and areas of their implementation supplemented with data as to the effectiveness of such costs and projects. It would be useful to introduce systematic

assessment of investments in social projects within the Bank's charity activities as a regular practice and to include results of such assessment in future reports.

The Report informs that the Bank performs monitoring of financed projects and assessment of investment activities. It is recommended to provide in the next report more detailed information about results of monitoring social, economic and environmental effects from projects financed by Vnesheconombank. Such information is relevant for the stakeholders and allows gaining a better understanding of the Bank's impact and its contribution to social development.

The Report contains important information on the Bank's methodology for assessing environmental and social impact of investment projects. It would be useful to discuss such methods and the results of their testing with the stakeholders and include the relevant information in the next report.

The Report demonstrates the Bank's approaches to defining material topics of the Report. The Bank should provide more information on how the topics have been selected and give a more detailed description of this procedure. This should be taken into account especially now that reports are prepared in accordance with the GRI G4 Guidelines which prescribe to substantiate, and provide a clear description of, the material topics selection process. In particular, reports should contain a description of 'material aspects map' including relevant comments after the map has been drafted.

In connection with the decision to divide the Bank's loans portfolio into the projects of the bank for development and special projects identified as significant by the government starting from 2015, the Bank should include relevant comments in the next reports explaining the difference in approaches to financing such projects, since this information relates to material aspects.

The recommendation regarding a more detailed overview of the Bank's self-assessment procedure in accordance with ISO 26000:2010 using RSPP methodology which has been mentioned in the previous report remains relevant.

Whereas the RSPP Council on Non-Financial Reporting gives a positive opinion on this Report, supports the Bank's commitment to responsible business principles and notes consistent development of its reporting process, the Council hereby affirms that the 2014 Sustainability Report of the VEB Group has received public endorsement.

Chairman of RSPP Council  
for Non-Financial Reporting

F.T. Prokopov

Deputy Chairman of RSPP Council  
for Non-Financial Reporting



E.N. Feoktistova



## Appendix 13. Contact Information

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Please e-mail your proposals for the development of the VEB Group non-financial reporting practices including comments on this Report's contents, interaction with stakeholders during the Report preparation to: [csr@veb.ru](mailto:csr@veb.ru)

We will appreciate your opinion!

State Corporation  
'Bank for Development  
and Foreign Economic Affairs  
(Vnesheconombank)'

[www.veb.ru](http://www.veb.ru)

