

ВЭБ
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**BUILDING A NEW
ECONOMY FOR RUSSIA**

VEB.RF GROUP

NON-FINANCIAL REPORT

2018

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1. Chairman's statement

I would like to present to you the VEB.RF Group's tenth non-financial report for 2018. This publication reflects our commitment to the highest international standards of transparency and social and environmental responsibility.

As a leading national development institution, VEB.RF has embraced the principles of the UN Global Compact for many years, working towards the Sustainable Development Goals. For instance, VEB.RF contributes to creating a modern urban environment, developing industry, innovation and infrastructure, and generally boosting Russia's economic growth. Our investment paves the way for inexpensive and clean energy, high-quality education and healthcare, and redressed social inequality. All our projects have a strong socio-economic impact, create jobs and increase the local tax base.

Notably, 2018 was a year of transformation for us as a leading national development institution. The expanded team of VEB.RF, DOM.RF, Russian Export Center and RSMB Corporation became a key instrument of the Russian President and Government in achieving the national development goals. To this end, we unite financial resources, professional competencies and investment expertise.

In collaboration with commercial banks, we are planning to support investment projects in the government's priority areas. Building a modern urban economy has become a top priority for us. We have an ambitious goal of not only reshaping the appearance of urban areas but also helping to create a diversified, balanced and sustainable economy, an economy driven by small and medium-sized enterprises that offer competitive products and services, including for export markets.

We have plans to carry out large-scale projects focusing on several Russian regions at a time in sectors such as public transport, road safety, site preparation, public utility infrastructure, clean water supply and safe waste-to-energy.

Jointly with the Russian Ministry of Economic Development, VEB.RF is in the process of launching an educational



programme to train forward-looking city managers. The programme aims to form highly professional management teams and help them to become local champions of change.

Urban development is impossible without modern social infrastructure. We see the considerable potential for attracting private investment in this area. VEB.RF works on new investment models, including Social Impact Bonds. Our plans include supporting the expansion of state-of-the-art diversified healthcare centres, creating a new type of campus, and building up and developing a network of advanced, privately operated social infrastructure facilities.

Having completed its internal transformation, VEB.RF is now focusing on Russia's development agenda until 2024. We will be committed to being transparent, open to effective cooperation, and keen to use global best practices.

Yours sincerely,

Igor Shuvalov
Chairman, VEB.RF

A large, light blue, stylized number '2' graphic that serves as a background element for the title. It is positioned on the left side of the page, with its lower part overlapping the text.

VEB.RF GROUP'S KEY OPERATIONAL RESULTS IN 2018



2. VEB.RF GROUP'S KEY OPERATIONAL RESULTS IN 2018



Loan portfolio: RUB1.562bn¹

¹ Loan portfolio less the provision for impairment



VEB.RF Group's overall assets: more than 3.2%² of Russia's GDP²

² Calculated on an annual basis in current prices

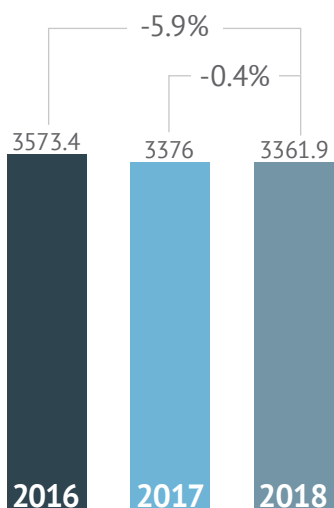


“Our IFRS results are significantly affected by our ‘old’ loan portfolio. Our systematic work in this area includes building up a portfolio of new business projects.”
Mikhail Poluboyarinov
 First Deputy Chairman, VEB.RF

The VEB.RF Group's assets changed insignificantly over 2018 and totalled RUB3,361.9bn as at 31 December 2018.

ASSETS

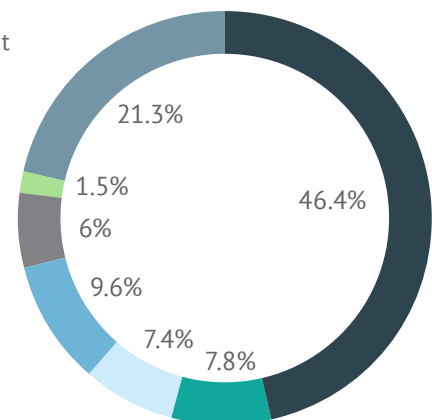
RUB bn



ASSET STRUCTURE

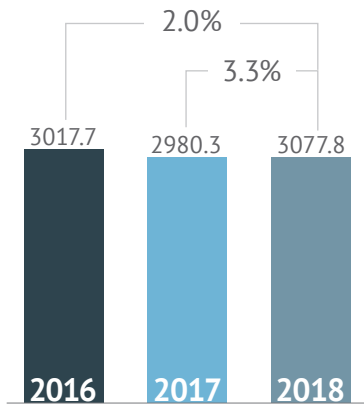
% of total assets

- Loans to customers
- Trading securities and other assets at fair value through profit or loss
- Investment financial assets
- Cash and cash equivalents
- Net investment in leasing
- Subordinated loans to banks
- Other assets



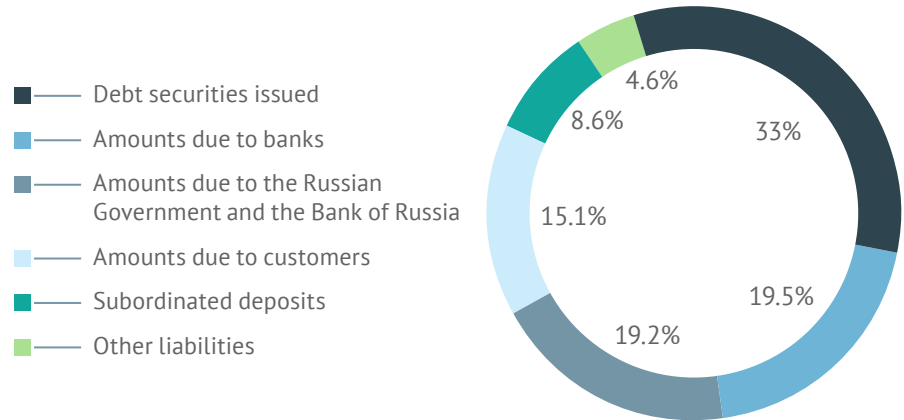
LIABILITIES

RUB bn



LIABILITY STRUCTURE

% of total liabilities



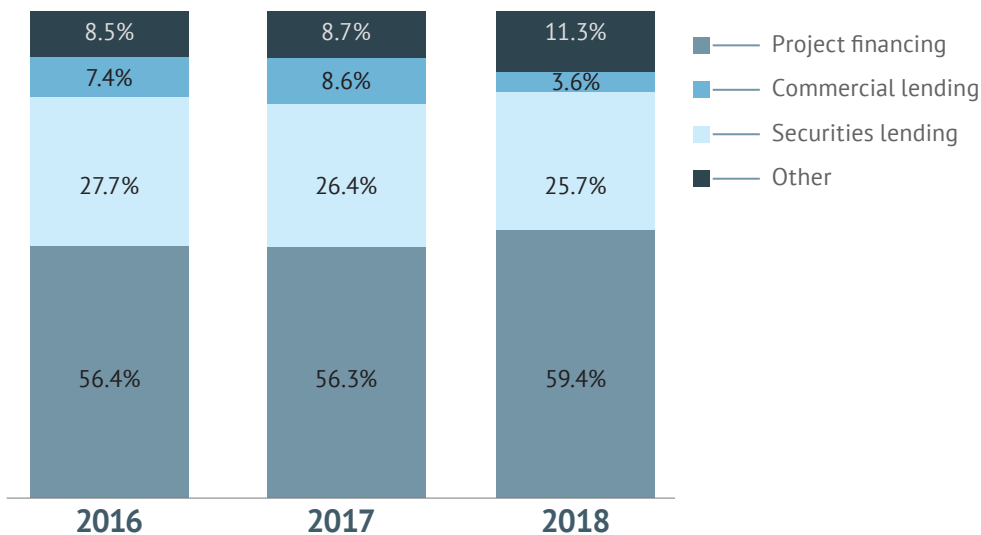
The loan portfolio accounts for 46.4% of the VEB.RF Group's assets.

Loan portfolio

- Asset and liability currency structure changed insignificantly in 2018.
- Most of the loan portfolio accounts for project financing.
- Long-term loans make up over 70% of the total loan portfolio.

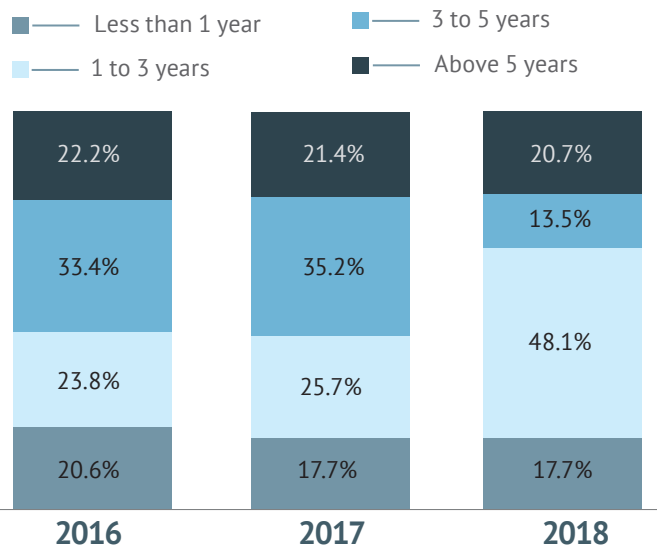
LOAN PORTFOLIO STRUCTURE

% of total loans



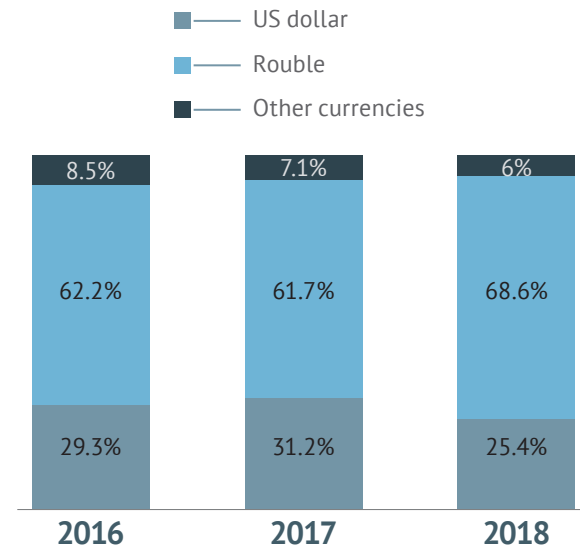
LOAN PORTFOLIO STRUCTURE BY MATURITY

% of total loans



LOAN PORTFOLIO STRUCTURE BY CURRENCY

% of total loans

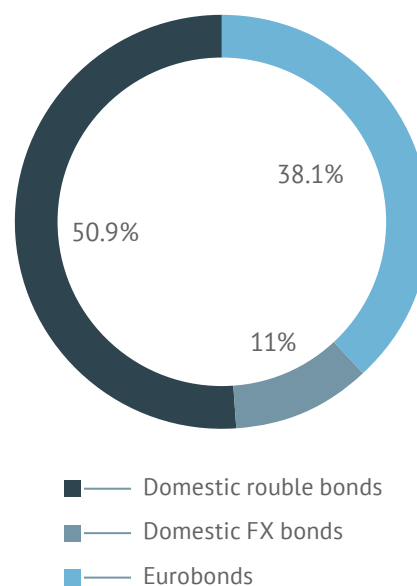


REPAYMENT OF NON-CONSOLIDATED PUBLIC DEBT

During 2018, we redeemed two Eurobond issues for EUR1bn and USD0.85bn, and four long-term bonds in the domestic debt market for a total par value of RUB50bn; issued one RUB10bn long-term bond, 88 short-term bonds for a total par value of RUB830.22bn, and repaid 87 short-term bonds for a total par value of RUB827.13bn.

As at 31 December 2018, our outstanding debt obligations included two short-term bonds for a total par value of RUB13.2bn, 22 long-term bonds for a total par value of RUB490.711bn and USD1.15bn, five Eurobonds, including USD-denominated for a total par value of USD4.75bn and EUR-denominated for a total of EUR0.5bn.

PUBLIC DEBT BY SOURCE



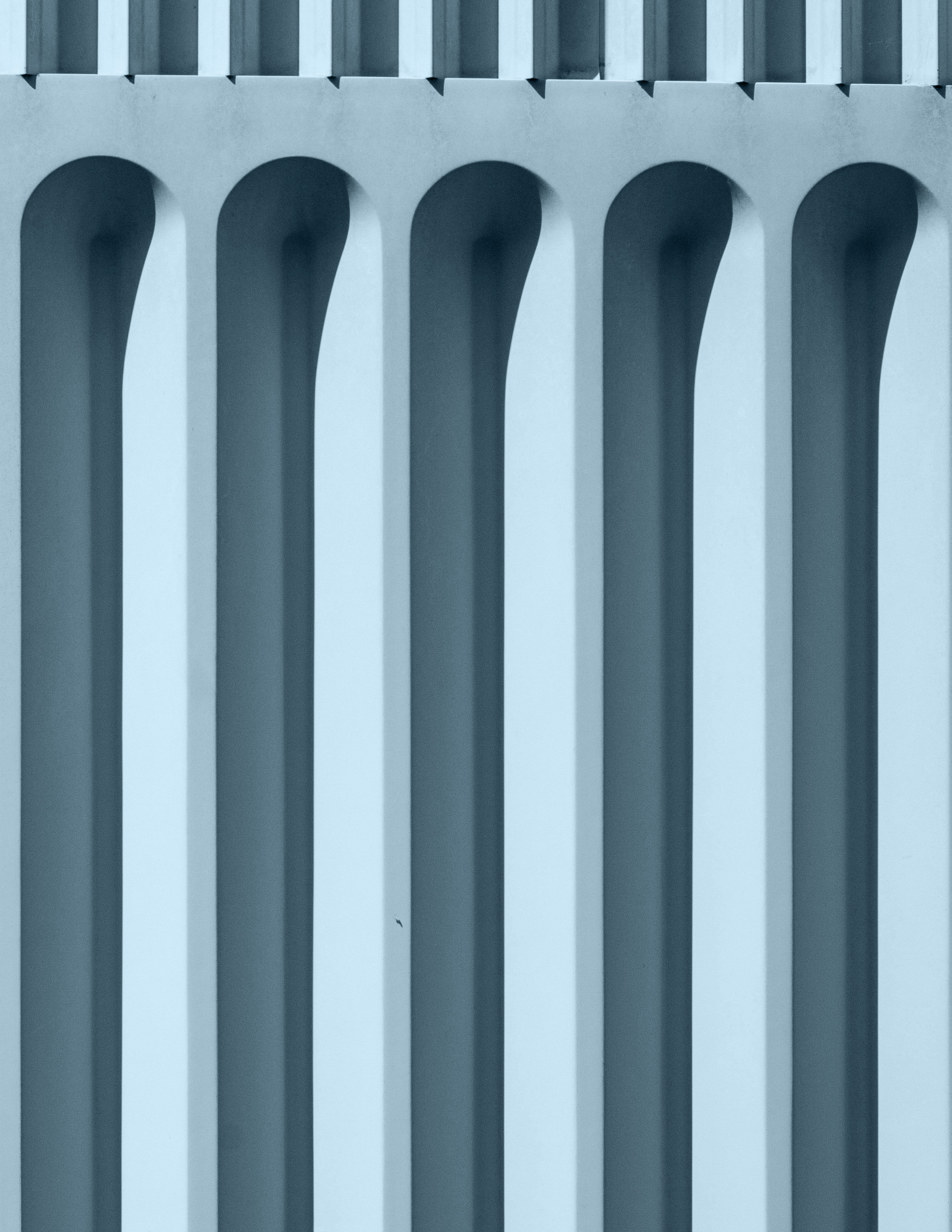
VEB.RF Ratings ¹

AGENCY	RATING	LEVEL	OUTLOOK
AKPA	National credit rating	AAA(RU) (12 July 2018)	Stable (12 July 2018)
Fitch Ratings	Long-term issuer default rating in foreign currency	BBB- (22 November 2018)	Positive (22 November 2018)
	Long-term issuer default rating in national currency	BBB- (22 November 2018)	Positive (22 November 2018)
	Short-term issuer default rating in foreign currency	F3 (22 November 2018)	
STANDARD & POOR'S	Long-term credit rating for commitments in foreign currency	BBB- (27 July 2018)	Stable (27 July 2018)
	Long-term credit rating for commitments in national currency	BBB (27 July 2018)	Stable (27 July 2018)
	Short-term credit rating for commitments in foreign currency	«A-3» (27 July 2018)	
	Short-term credit rating for commitments in national currency	«A-2» (27 July 2018)	
MOODY'S	Long-term issuer credit rating in foreign currency	Ba1 (29 January 2018)	Positive (29 January 2018)
	Long-term issuer credit rating in national currency	Ba1 (29 January 2018)	Positive (29 January 2018)
	Short-term issuer credit rating in foreign currency	NP (29 January 2018)	
	Short-term issuer credit rating in national currency	NP (29 January 2018)	

¹As at 31 December 2018



3. HIGHLIGHTS IN 2018



3. Highlights in 2018

JANUARY	VEB.RF's delegation takes part in the World Economic Forum in Davos
FEBRUARY	An award ceremony is held for the winners of VEB.RF's Development Award 2018 for the best investment project
MARCH	BelVEBLEasing, a subsidiary of VEB-Leasing, is established in the Republic of Belarus to develop exports of Russian high-tech products using lease instruments
APRIL	VEB.RF launches the financing of the second phase of the project for upgrading the manufacturing of various types of high-quality glass implemented by AO Saratovsky Institut Stekla (Saratov Institute of Glass)
MAY	By Decree of the Russian President Vladimir Putin No. 259 of 24 May 2018, Igor Shuvalov is appointed Chairman of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" VEB.RF launches the financing of a project to renovate the M-4 Don federal route at the section between Rostov-on-Don and Krasnodar
JUNE	VEB.RF opens a new representative office in Abu Dhabi, UAE VEB.RF and China Development Bank (CDB) sign a framework agreement to channel more than RUB600bn of loans into the Russian economy
JULY	The Russian Government approves the new Memorandum on Financial Policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" The Russian Government extends the mandate of VEB.RF as the government-controlled management company for pension savings to 2024
AUGUST	VEB.RF launches the financing for a project on organising the production of radiopharmaceuticals to promote an advanced cancer and cardiac diagnostics solution – positron emission tomography (PET)
SEPTEMBER	VEB.RF Group signs agreements with Sovcomflot and Zvezda to build two next-generation large oil tankers at the Zvezda shipyard

OCTOBER	<p>VEB.RF presents a report on its contribution towards the Sustainable Development Goals at a UN high-level meeting on financing the Agenda for Sustainable Development</p> <p>VEB.RF and the Development Bank of Mongolia sign two loan agreements with a total limit of EUR8.4mn to finance an export project on supplying Russian agricultural equipment to Mongolia</p>
NOVEMBER	<p>Russian President Vladimir Putin signs laws on renaming Vnesheconombank State Development Corporation VEB.RF, on updating its functions, including those related to coordination of development institutions, and on providing it with callable capital</p>
DECEMBER	<p>VEB.RF receives the highest rating, Guaranteed Transparency, in the National Procurement Transparency Rating 2018</p>



4. VEB.RF GROUP TODAY AND TOMORROW



4.1 VEB.RF as Russia's Leading Development Institution



State Development Corporation VEB.RF operates under Federal Law No. 82-FZ of 17 May 2007 “On State Development Corporation ‘VEB.RF’” (as amended on 28 November 2018).

VEB.RF’s operations contribute to ensuring long-term socio-economic development of the Russian Federation and creating an environment for sustainable economic growth, enhancing investment performance, and expanding investment in the national economy through projects implemented within and outside Russia, including involving foreign capital, and designed to improve infrastructure, industry, innovation, special economic zones, environmental protection, energy efficiency, support for exports, and expand access to international markets for Russian industrial products (goods, work, or services), as well as other projects and/or transactions within the investment, foreign trade, advisory, or other operations under the above Federal Law (VEB.RF’s Projects).

The Supervisory Board chaired by Dmitry Medvedev, Russian Prime Minister, is VEB.RF’s supreme governing body.



4.2 Involvement in Implementing Presidential Decree No. 204 of 7 May 2018

To achieve the goals set out in Decree of the President of the Russian Federation No. 204 of 7 May 2018 (the “Presidential Decree”), VEB.RF’s senior executives sit on several project committees of national projects.

The VEB.RF Group is preparing a series of transport-related projects under the Comprehensive Modernisation and Expansion Plan for Trunk Infrastructure until 2024, which are planned to be implemented on a PPP basis. VEB.RF is also exploring the possibility of private financing for federal projects under the Comprehensive Modernisation and Expansion Plan for Trunk Infrastructure. VEB.RF and other entities of the VEB.RF Group are also assessing several transport infrastructure projects for potential preparation and financing.

VEB.RF is active in preparing proposals for the implementation of federal projects such as Addressing Cancer-Related Diseases, Expanding Export of Healthcare Services, and Building a Comfortable Urban Environment.

VEB.RF and VEB.RF’s entities are considering several social projects consistent with the Presidential Decree and implemented on a PPP basis: construction (rehabilitation) and improvement of schools; modernisation of children’s recreation infrastructure.

VEB.RF views its involvement in federal projects such as Clean Country and Building a Comprehensive Framework for Treating Municipal Solid Waste as areas with the highest potential. These projects aim to localise manufacturing operations, produce equipment for sorting municipal solid waste (MSW), produce refuse-derived fuel (RDF), and modernise water supply systems using advanced water processing technology.

VEB.RF participates in the development of current financing instruments for the Environmental Protection national project, specifically the green bonds mechanism which will make Russian and foreign direct investment more attractive and reduce borrowing costs of environmental projects.

The Export of Services federal project enables VEB.RF to implement a range of measures designed to promote exports of services related to telecommunications, computer, information, construction, feedstock and semi-finished product processing, maintenance, support for intellectual property trading, financial and insurance services, as well as services of non-government pension funds, cultural and entertainment services, pipeline services, and services related to space launches.

VEB.RF is active in carrying out another national programme, Digital Economy of the Russian Federation. Prepared by VEB.RF jointly with other development institutions and major government-linked companies, proposals for digital economy development were submitted to the Russian Presidential Executive Office and the Russian Government. VEB.RF is competent enough to provide investment support (with due diligence, structuring and acceleration) for digital economy projects, from start-ups with high growth potential to medium-sized and large businesses, including potential exporters.

Under the Digital Technology federal project, we are planning to provide cheap loans on preferential terms to support digital economy projects, backed by government subsidies.

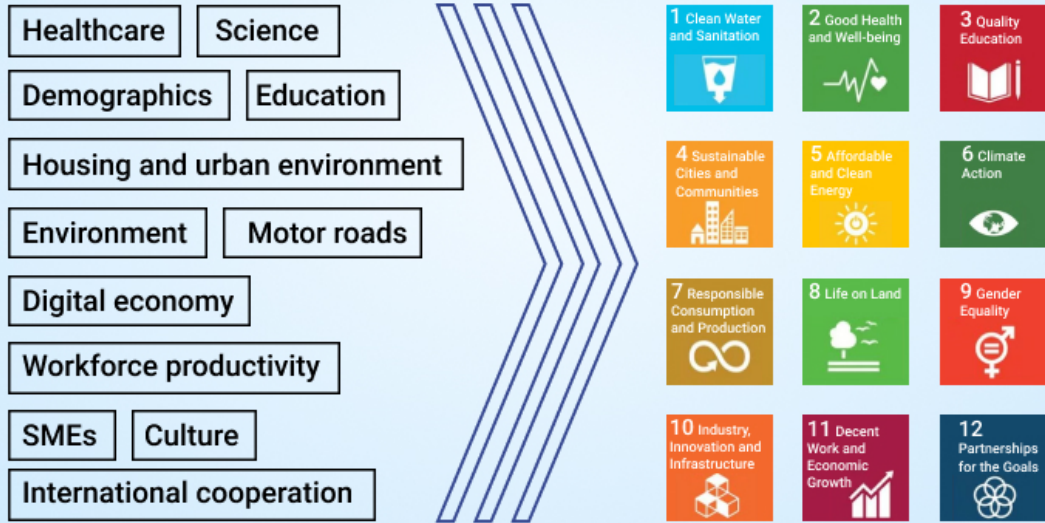
In collaboration with the Association of Innovative Regions of Russia, VEB.RF organised a meeting with Russian regions' deputy governors in charge of digital transformation and investment, mayors, and heads of regional development institutions to tell them about the general principles of its involvement in digital economy projects.

VEB-Innovations Fund is planning to participate in federal projects such as Talent and Education, Digital Technology, and Information Security, which aim to set up venture capital funds to finance digital economy projects, participate in building digital platforms, issue low-interest loans, and implement other measures of support for Russian developers of innovative solutions.

National projects and UN SDGs*

The global nature of the UN SDGs enables them to be integrated into national strategic plans while aligning them with the interests of specific countries.

Russia is starting to implement national projects contributing to the UN SDGs.



* UN SDGs mean Sustainable Development Goals of the United Nations.

4.3. VEB.RF's Strategic Development Goals

In 2018, VEB.RF developed a new business model consistent with Russia's strategic development priorities outlined in the Presidential Decree "On National Development Goals and Strategic Development Objectives of the Russian Federation until 2024" and aimed at improving VEB.RF's financial stability in an adverse global economic environment. The new goals and objectives made it necessary, among other things, to approve a new version of the Memorandum on Financial Policies of VEB.RF (the "Memorandum").

The Memorandum outlines the economic sectors for VEB.RF's investment, which correspond to the 12 areas specified in Decree of the President of the Russian Federation No. 204 of 7 May 2018 "On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024".



«The business model of VEB.RF and the Memorandum feature new operating principles. For example, VEB.RF is committed to maximising the overall volume of financing development projects and prioritising projects with the highest multiplying effect (building infrastructure and new manufacturing businesses, increasing competitiveness, improving the urban environment). We will also actively engage other financial institutions in co-financing projects».

Igor Shuvalov
Chairman, VEB.RF

VEB.RF'S OPERATION PRINCIPLES

- Setting strategic goals **consistent with the government's priorities**
- **Working without competition with commercial banks:** VEB.RF gives preference to projects that do not prevent the participation of other Russian financial institutions
- Giving preference to partnership-based projects, which means equitable risk sharing among all participants
- Ensuring the **availability of financial resources** (raising capital from the market and using government support measures)
- Ensuring that information is **transparent** and accessible
- Achieving a **break-even result**
- Complying with **environmental** requirements and standards

The business model of VEB.RF and the Memorandum feature new operating principles. For example, VEB.RF is committed to maximising the overall volume of financing development projects and prioritising

projects with the highest multiplying effect (building infrastructure and new manufacturing businesses, increasing competitiveness, improving the urban environment). We will also actively engage other financial institutions in co-financing projects.

Another important principle includes working without competition with commercial banks and other financial institutions. VEB.RF will primarily focus on supporting projects that are currently not financed since they are not attractive to commercial banks (for example, as they require long-term investment or have low payback rates). VEB.RF does not intend to offer rival banking products in competition with commercial banks.

VEB.RF's goal is to deliver the necessary financial result. We intend to achieve break-even performance for VEB.RF's entire investment portfolio by minimising project and financial risks through the use of project structuring and management capabilities and government support measures such as interest rate subsidisation, capital grants etc. VEB.RF's business model requires that public investment should be returnable and reusable.

VEB.RF considerably expanded its access to investment projects through mechanisms such as project financing, mezzanine financing etc. The project selection criteria were also softened: the minimum project value was decreased from RUB2bn to RUB1bn; the minimum project payback period was reduced from five years to one year. These changes will increase the number of potential projects and expand VEB.RF's presence in the regions that need less investment to deliver projects in the strategic areas of regional development. We can now also work under the Project Financing Factory programme.

VEB.RF's goals remain unchanged: creating the conditions for sustained economic growth and removing infrastructural constraints, developing infrastructure and innovation, supporting the export of Russian industrial products (goods, work, services), improving standards of living and creating comfortable living conditions.

In 2018, VEB.RF was tasked with coordinating the operations of development institutions.



4.4. Coordination of Development Institutions



As resolved by the Russian Government, VEB.RF coordinates operations of development institutions in relation to facilitating the long-term socio-economic development of the Russian Federation, creating the conditions for sustained economic growth and removing infrastructural constraints, developing infrastructure and innovation, supporting the export of Russian industrial products (goods, work, services), improving standards of living and creating comfortable living conditions, involving development institutions in national projects (programmes), government programmes, and federal targeted programmes, and organising the interaction between development institutions.

To accomplish the objectives specified above, VEB.RF participates in the management of development institutions, enters into coordination and/or cooperation agreements, establishes collaboration procedures for the integrated use of financial and non-financial project support measures including government support, facilitates communication between development institutions and government agencies, proposes measures to enhance support for development institutions, provides development institutions with financial and guarantee backing, and guarantees the performance of their obligations, acts as an agent for the Russian Government, and implements other measures as resolved by the Russian Government and VEB.RF's Supervisory Board.



To coordinate the operations of development institutions, VEB.RF was active in building up development institutions' interaction model designed to:

- synchronise development institutions' activities;
- elaborate development institutions' memorandums, powers and instruments to develop effective support measures meeting the interests and objectives of businesses and the government;
- increase the quality of investment projects through closer cooperation among development institutions in using industry and product evaluation;
- enhance transparency in decision-making and optimise project documentation.



The interaction model requires that development institutions should



“We want VEB to be involved in establishing priorities for development institutions; it will be able to address a wider scope of issues.”

*Dmitry Medvedev
Prime Minister of the Russian Federation,
Chairman of the Supervisory Board, VEB.RF*

jointly develop the Service and Information Platform comprising the following key interaction tools:

- up-to-date register of financial and other instruments, and government support measures;
- shared database of development institutions' projects;
- development institutions' interaction space for joint projects;
- multilevel reporting system.

In the first phase of its development and implementation, the platform will be used within the VEB.RF Group and its closest partner development institutions (Russian Export Center, RSMB Corporation, DOM.RF), while other interested development institutions and commercial banks will be able to join the platform later.

4.5. Changes to the Regulatory Framework

Federal Law No. 452-FZ of 28 November 2018 “On Amendments to the Federal Law on the Bank for Development and Certain Legislative Acts of the Russian Federation” (“Federal Law No. 452-FZ”) changed the name of the state corporation to State Development Corporation VEB.RF, outlined the new functions of VEB.RF with respect to coordinating development institutions’ activities related to ensuring Russia’s long-term socio-economic development, and updated the procedure for establishing the authorised capital of VEB.RF (by providing that VEB.RF’s authorised capital consists of paid-in capital and callable capital to be paid as resolved by the Russian Government).

Article 30 of Federal Law No. 452-FZ specifies that the change of the name “State Corporation ‘Bank for Development and Foreign Economic Affairs (Vnesheconombank)’” to “State Development Corporation VEB.RF” does not constitute a reorganisation and does not change or terminate the rights and obligations of State Development Corporation VEB.RF with respect to the Russian Federation or any other third parties, including lenders, whether domestic or foreign, and does not change or terminate the rights and obligations of State Development Corporation VEB.RF as an agent for the Russian Government and as the government-controlled management company for pension savings and pension reserve payouts.

VEB.RF was the second development institution to receive “RF” as part of its brand. The new symbol is designed to create a fresh and positive image and send a message to society about the transformation of VEB.RF into the coordinator of development institutions in respect of ensuring Russia’s long-term socio-economic development. The similarly branded national development institutions show that they are united in achieving their goals.

Federal Law No. 453-FZ of 28 November 2018 “On Amendments to the Budget Code of the Russian Federation” enables state corporations to be additionally subsidised so that they can implement the Russian Government’s resolutions to increase VEB.RF’s authorised capital by using contributions from the Russian Government. Federal budget funds are allowed to be deposited with VEB.RF for a period exceeding the financial year, but not in excess of five years, in accordance with the procedure prescribed by the Russian Government.

4.6. VEB.RF's Subsidiaries

<p>Russian Export Center Head office: Moscow Share capital: RUB71,240bn VEB.RF's share: 100% Number of employees: 590</p>	<p>Russian Export Center performs the functions of a state development institution responsible for setting up a nationwide export support system. Russian Export Center Group, which includes the Export Insurance Agency of Russia (EXIAR) and Eximbank of Russia, offers a wide range of financial and non-financial support measures to Russian exporters.</p>
<p>InfraVEB Head office: Moscow Share capital: RUB4,928bn VEB.RF's share: 100% Number of employees: 60</p>	<p>InfraVEB performs the functions of an institution providing early-stage support for infrastructural and industrial projects, participating in the preparation and fine-tuning of projects eligible for VEB.RF's funding, developing the PPP market and preparing PPP projects for funding by the VEB.RF Group and other financial institutions.</p>
<p>VEB Engineering Head office: Moscow Share capital: RUB0.338bn VEB.RF's share: 100% Number of employees: 76</p>	<p>VEB Engineering acts in the interests of the VEB.RF Group by providing project support services for VEB.RF's and the group companies' projects and performs the functions of a supervisory company engaged by the VEB.RF's borrowers. VEB Engineering is also responsible for developing an engineering ecosystem.</p>
<p>Vnesheconombank's Investment Company VEB Capital Head office: Moscow Share capital: RUB62,798bn VEB.RF's share: 100% Number of employees: 135</p>	<p>VEB Capital is responsible for managing VEB.RF's distressed assets with the aim of making them attractive to investors by means of transformation and recovery, supporting VEB.RF's non-strategic portfolio and launching new strategic projects.</p>
<p>VEB-Leasing Head office: Moscow Share capital: RUB0.168bn VEB.RF's share: 99.25% Number of employees: 1,367</p>	<p>VEB-Leasing supports Russia's economy with leasing instruments focusing on providing industry and infrastructure facilities with modern equipment and promoting domestic products.</p>
<p>Far East and Baikal Region Development Fund Head office: Moscow Share capital: RUB18,415bn VEB.RF's share: 100% Number of employees: 74</p>	<p>Operations of the Fund are aimed at facilitating the development of the Far Eastern Federal District and the Baikal Region by implementing (together with other investors) projects aligned with the government's policy and creating a socio-economic multiplying effect.</p>

<p>MONOGORODA.RF</p> <p>Head office: Moscow</p> <p>Sole founder's (VEB.RF's) contribution: RUB0.016bn</p> <p>Number of employees: 85</p>	<p>The Fund works to ensure job creation and attraction of investment to single-industry towns. The Fund co-finances expenses of Russian regions for the construction of infrastructure required for new investment projects in single-industry towns, and also takes part in the preparation and implementation of such projects.</p>
<p>VEB Innovations</p> <p>Head office: Moscow</p> <p>Share capital: RUB5,300bn</p> <p>VEB.RF's share: 100%</p> <p>Number of employees: 36</p>	<p>VEB Innovations was set up in 2017 as the VEB.RF Group's main instrument to support and develop innovation in Russia. The company's priorities include financing projects of the National Technology Initiative and helping Russian innovation companies to gain entry into international markets.</p>
<p>VEB Innovations Fund</p> <p>Head office: Moscow</p> <p>Sole founder's (VEB.RF's) contribution: RUB0.043bn</p> <p>Number of employees: 11</p>	<p>VEB Innovations Fund provides financial support for innovation projects of Skolkovo Foundation aimed at accumulating and promoting knowledge of blockchain and other innovative technology, as well as creating, developing and certifying digital platforms for state-run companies.</p>
<p>VEB Service</p> <p>Head office: Moscow</p> <p>Share capital: RUB0.007bn</p> <p>Vnesheconombank's share: 100%</p> <p>Number of employees: 363</p>	<p>VEB Service was set up in 2017 as the VEB.RF Group's integrated service centre to render administrative, IT, legal and accounting services for the group, to provide centralised procurement support and introduce a consistent approach to personnel management in the VEB.RF Group.</p>
<p>VEB Asia Limited</p> <p>Head office: Hong Kong, China</p> <p>Share capital: RUB0.97bn</p> <p>VEB.RF's share: 100%</p>	<p>VEB Asia assists in expanding the sources of funding available to VEB.RF, its subsidiaries and customers, takes part in creating the infrastructure to promote Russian exports to China and South-East Asia and supports activities of Russian innovation companies in the region.</p>
<p>Bank BelVEB</p> <p>Head office: Minsk, Belarus</p> <p>Share capital: RUB15,197bn</p> <p>VEB.RF's share: 97.52%</p> <p>Number of employees: 2,045</p>	<p>Bank BelVEB ranks fifth among Belarusian banks by loan portfolio and assets, sixth by equity, seventh by profit and customer deposits.</p>

<p>Prominvestbank Head office: Kyiv, Ukraine Share capital: RUB127,657bn VEB.RF's share: 99.77% Number of employees: 1,225</p>	<p>Prominvestbank ranks second by share capital among Ukrainian banks and first among non-state-owned Ukrainian banks. At year-end, the bank was able to meet the liquidity and capital adequacy requirements, including the immediate liquidity ratio that was three times higher than the statutory requirements.</p>
<p>Sviaz-Bank Head office: Moscow Share capital: RUB54.66bn VEB.RF's share: 99.85% Number of employees: 4,877</p>	<p>In 2018, Sviaz-Bank was involved in raising its capitalisation, diversifying business, and expanding its customer base. The highlight of 2018 was the reorganisation of Sviaz-Bank by a merger with Globexbank.</p>

In 2018, Svyaz-Bank completed its reorganisation through a merger with Globexbank and became its assignee in relation to all its rights and obligations. The decision to reorganise Sviaz-Bank through a merger with Globexbank was adopted by Sviaz-Bank's general meeting of shareholders on 9 August 2018. Therefore, data on Globexbank are not included in this Report.

As resolved by the sole shareholder on 24 August 2018, the trade name of Public Joint-Stock Company Federal Centre for Project Finance was changed to Joint-Stock Company VEB Infrastructure (InfraVEB). VEB Infrastructure will focus on preparing investment projects at early stages to secure private financing for these projects.

The short name of Monotowns Development Fund was changed to MONOGORODA.RF. The Fund's charter documents were changed accordingly in December 2018. The new short name had been approved by the Fund's Supervisory Board.

In 2018, the activities of VEB Asia Limited did not fall within the scope of this report and did not affect performance indicators. Therefore, data on VEB Asia Limited are not included in this Report.

4.7. VEB.RF Group's Contribution to Achieving the UN Sustainable Development Goals



As a leading development institution of Russia, VEB.RF has a considerable, direct or indirect, impact on achieving most of the UN Sustainable Development Goals³ (UN SDGs).

VEB.RF contributes to the performance of the Russian Federation under the Agreement of the Parties to the United Nations Framework Convention on Climate Change and embraces

The United Nations Guiding Principles on Business and Human Rights. VEB.RF is a full member of associations and alliances of leading development institutions, including IDFC, LTIC, D20, ADFIAP, ALIDE, and interbank cooperation within BRICS and the Shanghai Cooperation Organisation.

VEB.RF was one of the first development institutions in Russia to build its own sustainability roadmap and receive an award from the European Organisation for Sustainable Development.

We are in the process of updating VEB.RF's Corporate Social Responsibility Policy, which will be based on the UN Sustainable Development Goals selected by VEB.RF.

Working towards the UN SDGs, VEB.RF is increasingly active in combining public and private resources for investing in social change and encouraging private investment in sectors that are crucial for the country's development. These include infrastructure, innovation, sustainable cities, and other sectors that are indispensable for achieving SDGs. Infrastructure needs to be built with the optimal use of limited resources while applying cutting-edge, environment-friendly, energy-effective and material-saving technology.

VEB.RF pays particular attention to the best available technology. Several approved energy efficiency projects are currently in the pipeline. VEB.RF's new Memorandum on Financial Policies includes provisions on financing green economy projects.

VEB.RF proposed a new financial mechanism, Social Impact Bonds (SIBs), which implies a multilateral contract between the government, an investor, and a social service provider on a pay-for-success basis.



United Nations
Framework Convention on
Climate Change

³The 17 Sustainable Development Goals outlined in the 2030 Agenda for Sustainable Development (<http://www.un.org/ru/documents/ods.asp?m=A/RES/70/1>) adopted by global leaders in September 2015 at the historical summit of the United Nations became officially effective on 1 January 2016.

The proposed model involves four key participants: government (owner of social outcomes); SIB operator (development institution engaged in assessing the social impact and determining the metrics for the deliverables); investor; and project provider (organisation that performs the contract). The new instrument will increase the number of socially oriented investment projects.

VEB.RF’S OPERATIONS AND UN SUSTAINABLE DEVELOPMENT GOALS

VEB.RF business lines/SDGs ⁴	1 NO POVERTY	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Coordination of development institutions																
Investment projects																
Export support																
Investing in the community																
Responsible business practices																
Stakeholder engagement																
HR policy																
Volunteering																

⁴According to the Report of the Analytical Centre for the Government of the Russian Federation (<http://ac.gov.ru/files/publication/a/14685.pdf>), Sustainable Development Goal 2 (Zero Hunger) needs to be adapted for Russia, where the problem of hunger has been solved, while food safety and quality are relevant. VEB.RF includes these aspects in Sustainable Development Goal 3 (Good Health and Well-being).



INVESTING IN DEVELOPMENT



5. Investing in development

The Russian Government issued Resolution No. 1510-r of 23 July 2018 to approve the new Memorandum on Financial Policies of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”.

The Memorandum defines the key areas and metrics for investment, along with foreign trade, export support, advisory, financial, and other activities provided for in Russian federal laws with regard to projects implemented within and outside Russia. The Memorandum outlines the principles and key instruments for VEB.RF’s operations, updates the powers of its collegial governing bodies, and details the requirements for risk management and financial stability.

The Memorandum defines VEB.RF’s involvement in national projects (programmes) in the areas listed in Decree of the President of the Russian Federation No. 204 of 7 May 2018 “On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024” and projects in the key areas of VEB RF’s operation. The Memorandum also governs the terms and procedure for VEB.RF’s participation in projects carried out under the Project Financing Factory programme, in the digital economy area, in private equity and venture capital investment projects, and projects that have a nationwide impact on the Russian economy.

VEB.RF’s current priorities include improving the quality of life in urban areas, creating jobs, constructing and modernising transport and public utility infrastructure, and supporting exports of Russian products and services.

As the coordinator of development institutions, VEB.RF needs to define the key approach and methodology of the interaction with development institutions, along with the management model and the tools for its implementation, to accomplish the general goals of ensuring Russia’s long-term socio-economic development, removing infrastructure constraints, developing innovation and providing support for exports.

VEB.RF continues to align the existing processes of investment, project monitoring and project support with VEB.RF’s transformation.

The loan portfolio accounts for 46.4% of the VEB.RF Group’s assets. In 2018, VEB.RF focused on developing project financing instruments. A new mechanism of project financing is intended to increase investment in the real economy and minimise investor risks. The main idea is to provide projects with syndicated loans, with the participation of commercial banks and other development institutions, and with government-subsidised interest rates and government-secured bonds.

The legal framework took shape in 2018, including Resolution of the Government of the Russian Federation No. 158 of 15 February

VEB.RF’s investment activities contributes towards achieving the UN Sustainable Development Goals



2018 to approve of a special project financing programme based on syndicated lending. The programme is backed by a government guarantee in compliance with Resolution of the Russian Government No. 654 of 6 June 2018.

5.1. Project Financing Factory

The decision to create VEB's Project Financing Factory was made as part of implementing instructions issued by Russian President Vladimir Putin at the St. Petersburg International Economic Forum in 2017.

The goal of Project Financing Factory is to set up a mechanism for financing investment projects in Russia's most important economic sectors under syndicated loan agreements with the following measures of government support:

- subsidies from the federal budget to reimburse for expenses related to loan extension as part of the Project Financing Factory programme;
- government guarantee of the Russian Federation to secure bonds issued by a special-purpose entity.

The key documents adopted as part of building the Project Financing Factory in 2018 included:

- Resolution of the Government of the Russian Federation No. 158 of 15 February 2018, approving the Project Financing Factory programme and the rules for federal subsidies and the Russian Federation's contributions provided for State Development Corporation VEB.RF to reimburse VEB.RF for any expenses related to lending under the Project Financing Factory programme;
- Resolution of the Government of the Russian Federation No. 654 of 6 June 2018, approving the rules for government guarantees provided by the Russian Federation to back the bonds issued by the special-purpose entity (SPE), Project Financing Factory;
- Directive of the Bank of Russia No. 4874-U of 26 July 2018, amending Regulation of the Bank of Russia No. 590-P of 28 June 2017.

PROJECT SELECTION CRITERIA:

- RUB3bn or more value, project in the Russian Federation;
- 20 years or less payback period, areas of business and industries specified in VEB.RF's Strategy;
- \geq 20% equity, borrowed by a special-purpose entity.

PFF ADVANTAGES

1. FOR THE GOVERNMENT

- **Economic growth** driven by new projects
- Expanded access to credit facilities for organisations carrying out investment projects

— Introduction of **global best practices** in financing for investment projects

2. FOR THE REAL SECTOR (BORROWERS)

— **Increased affordability** of project financing in Russia

— **Increased length** of loans and **increased volume** of floating rate loans

— **Decreased total project financing costs**

— **Hedge against key rate increases** through the use of government subsidies for the entire length of the loan

— Tranche B for interest payment at the project's investment stage

— VEB.RF's **special pricing** for Tranche A (government-backed debt securitisation)

3. FOR BANKS

— **Lower risks** due to involving additional participants in project financing;

— Development of the institution of syndicated lending under Russian law

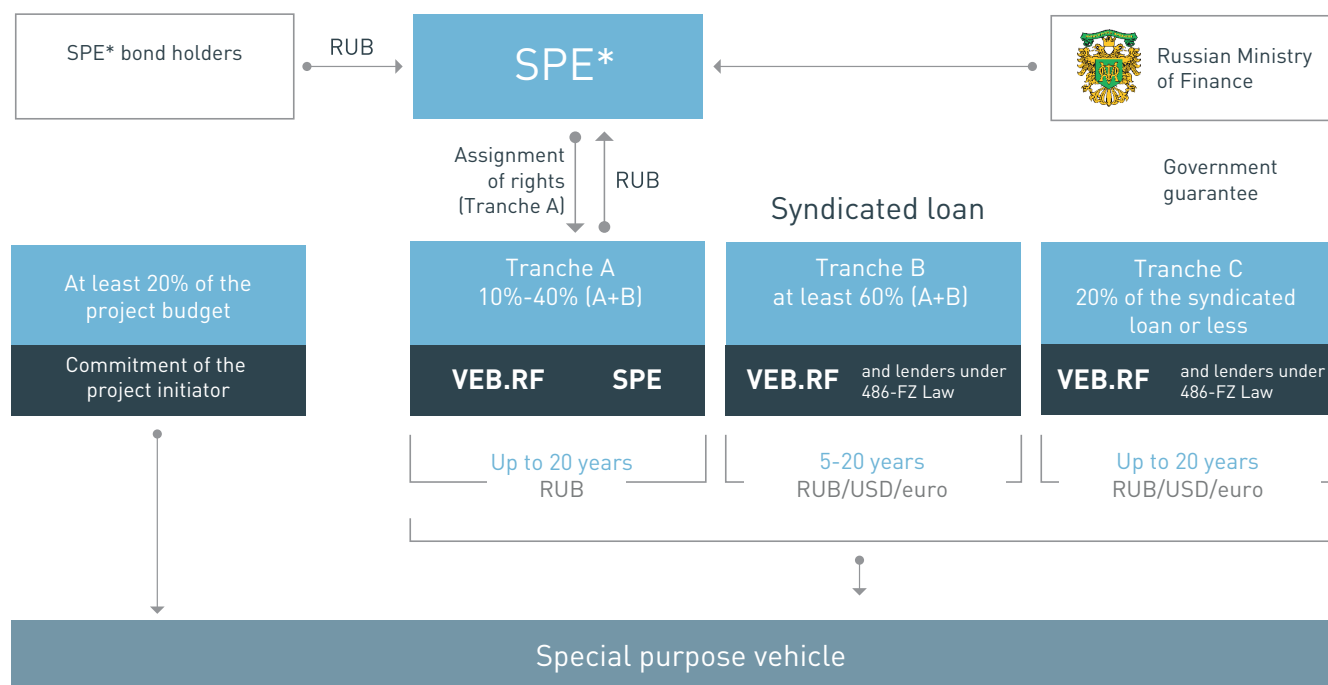
— **Special procedure for CAR calculation and loan provisioning** under the PFF programme (Directive of the Bank of Russia No. 4874-U of 26 July 2018)

4. FOR BOND INVESTORS

— **New reliable and liquid investment vehicle**

— Possible indirect investments in projects in the real sector

The total value of projects planned for 2019 is above RUB1tn, with private investment, including loans from commercial banks, exceeding RUB700bn.



FINANCING MECHANISM

Formula for calculating subsidies payable to the borrower in the case of floating rate loans:

$$\text{Subsidised \%} = \text{KR} - (\text{CPI IT} + \text{FLB Yield}),$$

where KR: Current key rate of the Bank of Russia

CPI IT: CPI inflation target (set at 4%);

FLB Yield: Yield on inflation-indexed federal loan bonds (set as at the date of the decision).

VEB.RF created DataRoom, a single information engine designed to enable syndicated lending participants to exchange information on investment projects and intended to provide information support for Project Financing Factory. The documents necessary for connection to DataRoom are available for download from VEB.RF's website.⁵

⁵ <http://veb.ru/biznesu/fabrika/>

PROJECT FINANCING FACTORY'S PILOT PROJECT: KUIBYSHEVAZOT

The KuibyshevAzot project to build and operate the production facility with an annual capacity of 140,000 tonnes of K-grade sulphuric acid and 360,000 tonnes of refined oleum.

Total investments are expected to reach RUB6.3bn. VEB.RF's commitment is estimated at RUB3.8bn.

The project is aimed at providing feedstock, expanding the existing manufacturing capability and maintaining competitiveness for Russia's only import-substituting process chain, from caprolactam and polyamide to fibre and fabric. The project uses advanced resource-saving technology that ensures a high level of industrial and environmental safety.



“Such projects are a good example of how different participants can unite their efforts. This is what we at VEB.RF are working towards: To create a sustainable partnership model to implement sophisticated capital-intensive projects.”

*Yury Korsun
Deputy Chairman, VEB.RF*

The construction project for methanol production (Phase 3) at Shchekinoazot in the Tula Region was approved by the Supervisory Board of VEB.RF as Project Financing Factory's second pilot project in December 2018. The project initiated by Shchekinoazot is estimated at RUB22bn, with VEB.RF's commitment of RUB4.5bn.



“We have a total of five to seven major projects in the pipeline, which we are discussing with Gazprombank and VTB.”

*Igor Shuvalov
Chairman, VEB.RF*

5.2. Financing for Investment Projects

As a key development institution, VEB.RF takes an active part in delivering priority national projects approved by Decree of the President of the Russian Federation No. 204 of 7 May 2018 “On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024” by financing investment projects of nationwide significance, including those carried out under the PFF programme.

A new mechanism of project financing is intended to increase investment in the real economy and minimise investor risks. The main idea is to provide projects with syndicated loans, with the participation of commercial banks and other development institutions, and with government-subsidised interest rates and government-secured bonds.

As at the end of 2018, VEB.RF was involved in 132 investment projects through lending and equity financing (key instruments of investment project financing).

As at 1.1.18	Reporting period	As at 1.1.18
141 projects*	Launched projects 6 Completed projects 15	132 projects*
1,195.2	Loan portfolio to finance investment projects**	1208.1
58.7	Equity financing of projects (equity investment)**	59.2

* through lending and equity investment

** RUB bn

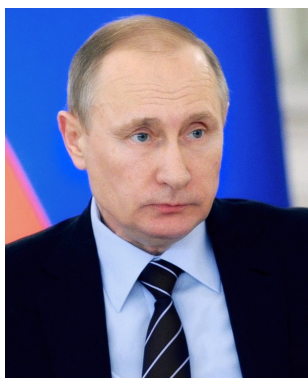
FINANCING FOR THE PROJECT FOR THE SUPPLY OF TWO AFRAMAX TANKERS (ARCTIC LEASING, A VEB-LEASING SUBSIDIARY)

The environmental profile of the new tankers meets the strictest environmental requirements of international conventions.



During the Eastern Economic Forum, the VEB Group entered into an agreement with Sovcomflot and the Zvezda shipyard. Under the agreement, Zvezda contracted to build two two Aframax oil tankers. Their ice class will enable the ships to be used for year-round navigation in ice-bound conditions.

Total project value: RUB13.2bn.



“The Arctic plays a strategic role for Russia. We are currently reinforcing our presence in the region, implementing research initiatives and large-scale programmes for commercial and economic development, and turning our ambitious infrastructure projects into a reality. We are also aware of the importance of preserving the environment and biodiversity in the polar and subpolar areas.”

*Vladimir Putin
President of the Russian Federation*

The shipbuilding industry is an investment priority for VEB.RF. The construction of the new tankers at the Zvezda shipyard will provide further impetus for Russian shipbuilding to grow and will help to create international transport corridors.

The new-generation tankers comply with all high environmental standards and new pollution control rules for the Baltic Sea and the North Sea. The operation of the LNG-fuelled ships will significantly

reduce hazardous air pollutants: sulphur oxides (SO_x) by 100%, nitrogen oxides (NO_x) by 76% and carbon dioxide (CO₂) by 27%.

FINANCING FOR A NEW-GENERATION SHUTTLE TANKER

It is intended that a new-generation shuttle tanker (69,000 deadweight tonnes) with improved ice performance and manoeuvring characteristics will be built. The Arc6 tanker is designed to navigate without an icebreaker escort through 1.3-metre-thick ice. It will be used to transport petroleum in the Russian Arctic. The tanker will be built at the Zvezda shipyard in the Far East.

VEB.RF's commitment: RUB18.5bn.

REHABILITATION OF THE M-4 DON FEDERAL HIGHWAY SECTION

VEB.RF began to finance the project to rehabilitate and operate sections of the M-4 Don highway under a loan agreement with Road Investment Company.* In addition, a direct agreement was signed with a public contracting authority, Russian Highways, to regulate the interaction among the project participants.



The project is implemented under the National Programme for Russian Transport System Development.

The project involves the comprehensive planning, rehabilitation, maintenance and toll-based operation of a 228-kilometre section of the M-4 Don federal highway from Rostov-on-Don to Krasnodar.

Total project value: RUB5.7bn. VEB.RF's commitment: RUB2bn.

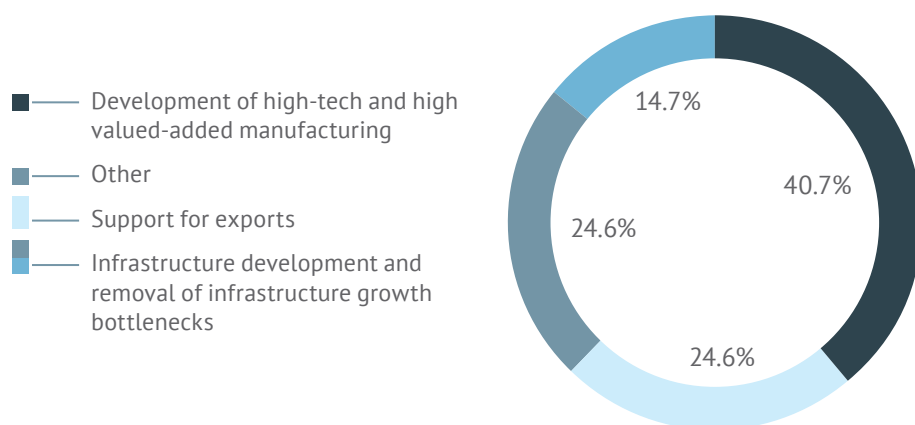
* A special-purpose entity whose shareholders are the Russian Direct Investment Fund (RDIF) and ANAS, Italy.

5.3. Projects Approved by VEB.RF in 2018

In 2018, VEB.RF approved financing for 35 projects totalling RUB423.6bn, with VEB.RF's commitment of RUB155.7bn.

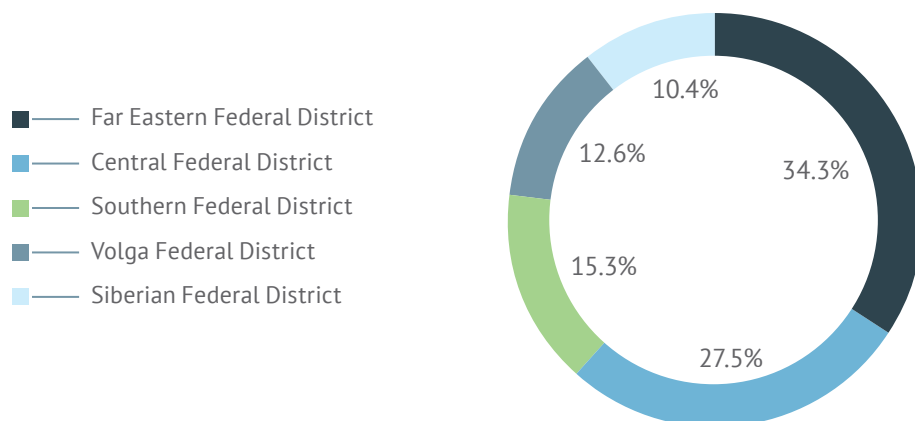
VEB.RF projects approved for financing in 2018 by industry

(% of VEB.RF's commitment)



VEB.RF Projects Approved for Financing in Russia in 2018 by Region

(% of VEB.RF's commitment)



5.4. PPP Projects in Public Infrastructure

VEB INFRASTRUCTURE

Within the VEB.RF Group, issues related to infrastructure development involving private investment come within the purview of VEB Infrastructure (InfraVEB), a professional financial company engaged in infrastructure projects.

To achieve its goal, InfraVEB provides investment advice services in respect of project structuring, invests in project preparation on a repayable financing basis, and attracts investment in projects.

The key purpose of InfraVEB is to provide financial and non-financial support for the preparation of high-quality development projects (primarily PPP projects related to public infrastructure development) and for the use of private investment in such projects from the VEB.RF Group and other sources of financing.

InfraVEB is involved in the implementation of Decree of the President of the Russian Federation No. 204 of 7 May 2018 “On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024” regarding the preparation of investment infrastructure projects within the initiatives outlined in the decree.

InfraVEB was involved in 31 projects in 2018. Its revenue from loan interest, advisory and other services totalled RUB480mn. InfraVEB’s key projects include:

- advisory services to Russian Motor Roads, a state-owned company, under the Construction of a High-Speed Motor Road within the International Europe–Western China Transportation Route project;
- advisory services in relation to the preparation of the project to develop the Vostochny–Nakhodka transport hub (the Primorye Territory) on a concession basis;
- advisory services under an agreement with Avtodor-Invest in relation to the Construction and Operation of the M-4 Don Motor Road project: Moscow–Voronezh–Rostov-on-Don–Krasnodar–Novorossiysk at the farther western bypass route around Krasnodar;
- preparation of proposals for the Construction of the Russian Section of the Meridian Toll Highway project;
- advisory services in relation to the preparation of the project to build a road for developing the East–West land transport corridor.

“Most major PPP projects are transport projects implemented at nationwide level, and VEB.RF and InfraVEB can see a large supply of financial resources for such projects. The role of VEB.RF and InfraVEB in preparing PPP projects is primarily to carry out due diligence to assess whether they are eligible.”

*Dmitry Tvardovsky
First Deputy General Director, InfraVEB*

INFRAVEB'S PLANS FOR 2019

- Set up VEB.RF's Infrastructure and Engineering Competency Centre;
- Prepare proposals:
 - to develop legislation;
 - to devise and implement new PPP models in Russia;
 - to use new PPP mechanisms in social infrastructure areas in Russia;



“Most major PPP projects are transport projects implemented at nationwide level, and VEB.RF and InfraVEB can see a large supply of financial resources for such projects. The role of VEB.RF and InfraVEB in preparing PPP projects is primarily to carry out due diligence to assess whether they are eligible.”

*Dmitry Tvardovsky
First Deputy General Director, InfraVEB*

- to ensure VEB.RF's and its subsidiaries' presence in these markets.
- continue to develop engineering competencies;
- provide turnkey services in relation to project preparation/refinement: combining financial, economic, legal and technical competencies with financing;
- contribute to increasing VEB.RF's participation in infrastructure financing ;
- assist VEB.RF with project pitching;
- Improve teamwork.

InfraVEB intends to support development projects at early stages in 2020-2021 in the following areas:

- Infrastructure;
- Urban economy;
- High value-added industry.

InfraVEB will focus on developing PPP projects and supporting VEB.RF in increasing private investment in infrastructure.

In 2018, InfraVEB prepared a list of initiatives to develop urban economies, which are pilot projects in terms of private financing. InfraVEB considered the possibility of participating in their preparation. They mainly include projects aimed at developing public transport, building

public spaces, and promoting sports. Private financing, including through the PPP mechanisms, proved to be a high-potential solution to develop the infrastructure of children's recreation centres.

Attracting private investment will increase the number of children who are able to visit year-round or seasonal country camps, including children in difficult situations and children with disabilities.

Other entities of the VEB.RF Group are also involved in such projects. In 2018, VEB Capital, a wholly owned subsidiary of VEB.RF managing a considerable part of the VEB.RF Group's distressed assets, together with Prosvescheniye Group, initiated a programme to modernise children's recreation infrastructure on PPP basis.



“VEB.RF is considering six Russian regions for implementing pilot projects to modernise children's camps.”

*Nikolai Tsekhomsky
First Deputy Chairman and
Member of the Management Board, VEB.RF*

As instructed by the Russian President, the Russian Government submitted a report to the Russian President based on the information provided by the Russian Ministry of Education, VEB.RF and Federal Agency for State Property Management about progress in carrying out the programme and VEB.RF's leading role.

VEB Capital launched pilot projects in the Nizhni Novgorod and Kaliningrad Regions. The selected investors were approved by regional authorities. VEB Capital is preparing documents to be submitted to SME Bank to obtain a loan for the construction of children's camps for 800 attendees, with a total project value exceeding RUB500mn. VEB Capital will apply the same procedures with regard to 500 camps in 40 Russian regions.

The project will contribute to implementing the Decade of Childhood plan developed by the Russian Government, creating a new commercial sub-sector in the domestic tourism market and expanding VEB.RF Group's loan portfolio.

5.5. Socio-economic Impact of Projects

The new business model of VEB.RF requires its active involvement in fulfilling the tasks outlined in Decree of the President of the Russian Federation No. 204 of 7 May 2018 “On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024”. To evaluate its performance in this area, VEB.RF regularly assesses the socio-economic impact of projects financed by the Group.

VEB.RF'S ACTIVITY IN 2018

In 2018, VEB.RF's support for the Russian economy (including debt financing and guarantees for export support) is estimated to be 0.23% of the GDP.

VEB.RF'S ROLE IN LENDING TO THE RUSSIAN ECONOMY

VEB.RF plays an important role as a debt provider for the Russian economy. In 2018, VEB.RF's loan portfolio exceeded 7% of all loans and 13% of +3Y bank loans. This figure decreased year-on-year due, among other factors, to the completion of several large-scale projects in 2018 where customers repaid their debts to VEB.RF in full.

VEB.RF participates in the financing of investment projects in 43 Russian regions. In 11 regions, financing provided by VEB.RF to regional businesses accounts for over 20%, including the Bryansk Region (food industry) and the Tver Region (construction materials and hospitality industries), the Republic of Tatarstan (automotive and chemical industries), and the Krasnoyarsk Territory (metal production, wood processing and electric utility industries).

VEB.RF'S ROLE IN FINANCING INVESTMENT IN FIXED ASSETS

Loans extended in 2018 to finance the projects make 0.4% of fixed capital investments in the economy as a whole. In 2018, VEB.RF's share in bank loans for investment in fixed assets was estimated at around 5%.

ROLE OF VEB.RF'S BORROWER COMPANIES IN VALUE ADDED GENERATION ⁶

VEB.RF finances several large-scale, capital-intensive projects. Their implementation requires a significant scope of engineering, construction and installation activities, procurement of expensive equipment, engagement of specialists in different fields. As a result, Russian-made products and labour involved at the investment stage see a greater demand, which increases value added in the Russian economy as a whole.

⁶ The added value generated by VEB.RF's borrower companies was estimated based on the financial statements for the nine-month period then ended.

Many businesses created with the support of VEB.RF produce high value-added goods. In 2018, VEB.RF's borrowers making high value-added products accounted for an estimated 0.18% of the total value added generated by the Russian economy. This indicator remained unchanged from the previous year.

In certain sectors, the contribution of VEB.RF's borrower companies is substantially higher. For instance, VEB.RF's borrowers operating in the automotive industry (AvtoVAZ, Ford Sollers) generated 9.8% of the industry's value added in 2018, while they accounted for 2.9% and 2.4% in the chemical industry (polymers and mineral fertilisers) and the production of other transport vehicles (space, aviation and railway industries) respectively.

FUTURE ROLE OF VEB.RF IN DEVELOPING THE RUSSIAN ECONOMY

The new business model implies that VEB.RF will considerably expand the scope of its operations. VEB.RF intends to provide financing for a total of RUB3tn in 2019–2024. Engaging other investors in co-financing will become an important part of the new business model. The share in project financing provided by VEB.RF involving other investors can reach 6% of total investment, or up to 1% of the GDP.

CRITERIA FOR ASSESSING THE SOCIO-ECONOMIC IMPACT OF PROJECTS

Socio-economic impacts are estimated based on a review of a sample of borrowers from VEB.RF's loan portfolio. The sample does not cover subsidiaries, foreign borrowers, export support transactions, or non-investment projects. Projects with no input data are not included in the sample either. Impact assessment factors in the participation indicator, which reflects VEB.RF's contribution towards the financing of the borrower.

Information on the assessment of socio-economic impacts of VEB.RF's projects is disclosed in accordance with the following GRI standards:

- GRI 201-1: Direct economic value generated and distributed—calculated as total revenue, profit and value added generated by VEB.RF's borrower companies;
- GRI 203-1: Infrastructure investments and services supported—included in assessments of the socio-economic impact of infrastructure projects (e.g. road construction, airport renovation etc);
- GRI 203-2: Significant indirect economic impacts—VEB.RF's loans given to companies in the real sector increase their fixed capital expenditures and tax payments at all levels.



“Projects financed with the participation of State Development Corporation VEB.RF can contribute as much as 1% to Russia’s GDP every year.”

*Dmitry Medvedev
Prime Minister of the Russian Federation,
Chairman of the Supervisory Board, VEB.RF*

5.6. VEB.RF Group's Support for Innovations

VEB Innovations was established by VEB.RF in June 2017 to finance projects under the National Technology Initiative (NTI) and the Digital Economy of the Russian Federation programme, and to help Russian innovation companies to gain entry into international markets⁷.

VEB Innovations' mission is to support Russia's economic development through the large-scale implementation of innovative solutions into conventional industries and the active participation in creating new economic sectors

VEB INNOVATIONS WORKS TO FULFIL ITS MISSION BY:

- building an integrated system of measures to develop new high-technology industries in Russia;
- stimulating the demand for innovation on the part of the public sector and business;
- contributing to the development of a high-technology private equity and venture capital market and an innovation support ecosystem in Russia;
- assisting in the transfer of new innovative solutions among various economic sectors;
- promoting Russian high-technology solutions in the global market and providing Russian market participants with access to desirable foreign high-technology innovative solutions;
- supporting exports of Russian innovative products and services;
- assisting the technology and economic integration between the Russian Federation and member states of international organisations and associations that are of strategic importance for Russia (BRICS, SCO, EAEU, ASEAN etc).

⁷ Hereinafter also "VEB Innovations".

The company provides methodological support for National Technology Initiative infrastructure centres that work to develop the Russian regulatory framework in specific focus areas of NTI implementation, analyse Russian and international markets, build up the professional community, and promote the NTI market (Resolution of the Russian Government No. 402 of 3 April 2018).

The company's representatives are members of collegial bodies of the NTI, such as the Project Committee, the Expert Council, and the Interdepartmental Working Group for the Development and Implementation of the National Technology Initiative of the Government Commission on the Economic Modernisation and Innovative Development of the Russian Federation.

VEB Innovations is the founder of Digital Economy, a not-for-profit organisation.

VEB Innovations is currently working on the creation of regional and inter-regional funds in Russia to promote investment activities locally. For example, the company entered into a partnership agreement with the Skolkovo Foundation, with total financing for Skolkovo residents to reach an estimated RUB3bn in 2019–2021. VEB Innovations will invest in projects that are in the phase of leveraging their deliverables into areas such as energy efficiency, energy saving, nuclear and space technology, development of medical equipment and medicines, start-ups that design strategic computer technology and software, and biotechnology for agriculture and manufacturing. Under the partnership agreement with the Skolkovo Foundation, the company will assist in developing and commercialising solutions of the Skolkovo innovation centre as well as provide mentoring support for the centre's residents.

During the Interregional Export Forum, VEB Innovations and the Perm Territory Administration signed an agreement to set up a venture capital fund with seed capital of RUB300mn. The partnership is designed to stimulate the innovative development of the Volga Federal District. The fund's money will be invested in promoting high-technology projects at regional, national and international level and assisting the integration of regional projects into existing value chains, including globally. Additionally, the venture capital fund will attract public and private investment to support high-technology projects and drive digitalisation of the overall region. Investments are planned to be channelled into high-technology and other projects with export potential and increase the region's appeal among investors.

VEB Innovations and the Sverdlovsk Region agreed to establish the Urals High-Technology Project Support Fund. The Sverdlovsk Venture Capital Fund will act as a partner on behalf of the regional government. In the near future, the capital of the Urals Fund will increase to RUB2bn. The Fund will focus on export-potential projects, promote innovation across regions, and make them more attractive to investors.

VEB Innovations entered into a cooperation agreement with Russian



Railways to introduce innovative solutions into railway transport. The agreement puts a strong focus on projects implemented as part of the National Technology Initiative and aimed at creating new solutions in areas such as artificial intelligence, telecommunications, high-speed and ultra-high-speed passenger trains, innovative transport infrastructure, as well as innovative materials, structures, and engineering systems.

International Innovation Support Initiatives of the VEB.RF Group

- In January 2018, VEB.RF and Shenzhen Capital Group Co., China, signed a memorandum of cooperation to support innovation.
- In July 2018, VEB.RF, the Brazilian Development Bank (BNDES), Exim Bank of India, China Development Bank (CDB) and the Development Bank of Southern Africa (DBSA) signed a memorandum to jointly examine the possibilities of using distributed ledger (blockchain) technology for digital economy development.
- During the St. Petersburg International Economic Forum, an investors' agreement was signed to establish a joint Russian-Indian direct investment fund, Viman Capital PTE Ltd. Founded by VEB Innovations and Srei Infrastructure Advisors Limited (SIAL), a subsidiary of Indian-based holding company Srei, the fund is intended to invest in information technology and innovation. In addition, Viman Capital PTE Ltd. signed cooperation agreements at the forum with Russian and Indian pilot project companies shortlisted after preliminary analysis: UBIC Technologies (internet traffic analysis), BFG Group (business analytics and business process management software), Multikubik (innovative video content players), and Techno Sat Comm Private Limited (Wi-Fi solutions for rapid transit systems).
- The memorandum of understanding signed with TUS-Holdings

Co. Ltd., China, during the St. Petersburg International Economic Forum is intended to help Chinese and Russian high-technology and innovation companies to gain entry into the Russian and Chinese markets, including by creating joint research and development centres, investment platforms and joint private equity mechanisms, along with co-investing mechanisms for mutually beneficial projects. The parties also agreed to formulate a programme of workshops for Russian companies that have plans for innovative business in China to provide them with practical experience of the local business environment, introduce them to legislative limitations, and establish contact with potential partners.

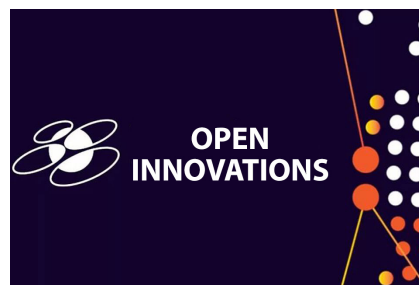
VEB Innovations was actively involved in the Open Innovations 2018 forum.

Three documents were signed during the forum:

- a roadmap with the Government of the Republic of Sakha (Yakutia);
- a letter of intent to establish a venture capital fund in partnership with PTIMC, China, and to launch high-technology centres in Russia and in China;
- an agreement about VEB Innovations joining the development of a technology and innovation adoption standard.

VEB Innovations together with the Skolkovo Foundation and foreign partners held East Bound, an open international contest among start-ups, aimed at supporting the efforts of Russian high-technology companies to enter international markets. The event was a highlight of the Open Innovations 2018 forum.

The forum included three pitch sessions for Russian start-ups. The participants had an opportunity to present their projects to potential investors from the Middle East, India, and Japan. Major foreign investors sat on the jury.



SUPPORT FOR NON-COMMERCIAL INNOVATION

In 2018, the Centre of Competence of VEB-Innovations was recognised as the best professional organisation by the Russian Association of Cryptocurrency and Blockchain. The Centre also received an award from the All-Russian Society of Inventors and Rationalisers and the first national IT award, Digital Heights.

5.7. Regional Development Projects

REGIONAL INITIATIVES

Guided by the business model introduced by VEB.RF into its regional operations in 2017, VEB.RF continued to improve the system of regional managers responsible for screening, selecting, and providing further support for projects approved for financing by VEB.RF.

In 2018, VEB.RF collaborated with 103 regional managers from 60 Russian constituent entities. Over half of them were senior executives of regional development institutions. Regional managers seek ambitious investment projects eligible for financing, help project initiators to prepare all the documents required to apply for financing, encourage regions to provide support for investment projects, and inform regional business communities about VEB.RF's current products.

During the year, all regional managers completed an online training course, Investment Activities of VEB.RF.

Regional managers placed 165 potential project initiatives on VEB.RF's online platform used by VEB.RF's customers and staff. Cooperation agreements were signed during SPIEF 2018 for five potential projects in Saint Petersburg, Moscow, the Ulyanovsk Region and the Vladimir Region, totalling over RUB20bn.

In 2018, VEB.RF and the Agency for Strategic Initiatives signed 25 trilateral memorandums of cooperation with Russian regions. In accordance with the memorandums, the Agency for Strategic Initiatives and VEB.RF will involve their experts in accomplishing the strategic objectives of planning and updating the priority areas of regional economic development.

DEVELOPING THE URBAN ECONOMY

Urban dwellers currently represent almost 74% of the Russian population, and one of our priorities is to make the lives of millions of Russian urban households better off at microenvironment level (street, neighbourhood, city).

As a consequence, the Memorandum on Financial Policies of VEB.RF was amended accordingly. VEB.RF will now support projects to develop the urban environment and infrastructure, as well as urban agglomeration infrastructure, and will implement integrated spatial



development projects. As an anchor development institution, VEB.RF is involved in all national projects, with an emphasis on the urban economy, since its accelerated development results in higher economic growth rates throughout the country.

The implementation of projects focusing on urban economic development needs to be driven by the introduction of advanced construction technology and materials, up-to-date architectural solutions and digital technology for social infrastructure, public transport and public utility services. The projects should cover not only large cities, but also towns with a population of 40,000–50,000.

VEB.RF sees potential synergies from combining RSMB Corporation's SME support instruments, Russian Export Center's export support instruments, and DOM.RF's instruments related to the creation of a comfortable urban environment and involving land sites in construction projects.

40 urban areas will be included in VEB.RF's projects designed to improve the quality of life



“We at VEB.RF Group, together with the Russian Economic Development Ministry and other partners, believe we can achieve better and more efficient results through urban transformation. Our plans currently cover 1,100 municipalities. However, we will also focus on single-industry towns, which are ready for the new phases following the Five Steps programme. They are waiting for us to make further suggestions about how to improve their environments.”

“What are the projects? This is municipal solid waste processing, this is clean water, this is modern urban public transport, this is support, for example, for old people's homes. We are looking to create children's summer recreation infrastructure in collaboration with municipal and regional authorities. I mean, this is a whole range of activities that allow a city to be built anew or transformed.”

Igor Shuvalov
Chairman, VEB.RF

To attract private capital, VEB.RF will use the entire range of available instruments: public private partnership (PPP), syndicated lending, guarantees for targeted loans, and lease mechanisms.

VEB.RF has a project team composed of representatives of the VEB.RF Group, DOM.RF, and RSMB Corporation, and other experts. The team is responsible for offering consolidated solutions for urban economic development.

In October 2018, VEB.RF's Chairman Igor Shuvalov became the Co-Chairman of the World Economic Forum's Global Future Council on Russia (the "Council").

“Russia will join the plans of the Association of Southeast Asian Nations (ASEAN) to build a network of smart cities, with Moscow to join the project first, to be followed by other cities,” said Russian President Vladimir Putin at the Russia–ASEAN summit in Singapore.

In November 2018, the delegation of VEB.RF took part in the discussion on accelerated development of cities and other communities in the Russian Federation held in Dubai (United Arab Emirates). The participants discussed various aspects of global economic development, including the role of cities as international cooperation and technology partnership hubs.

At the meeting held at VEB.RF in Moscow in December 2018, the Council discussed six topics related to urban development.

Several strategic sessions took place, including the 100 City Leaders Initiative of the Agency for Strategic Initiatives, and Development of the Modern Urban Economy together with Boston Consulting Group (BCG).

SUPPORTING AND DEVELOPING SINGLE-INDUSTRY TOWNS (MONOTOWNS)

As instructed by Russian President Vladimir Putin, VEB.RF established a Not-for-profit Organisation, the Monotowns Development Fund (“MONOGORODA.RF” or the “Fund”) in 2014 to function as a project office to develop single-industry towns in order to diversify their economies by setting up an environment for creating jobs not related to the largest local employers and by attracting investment.

RUB7,124mn: MONOGORODA.RF's commitment under loan agreements for co-financing investment projects

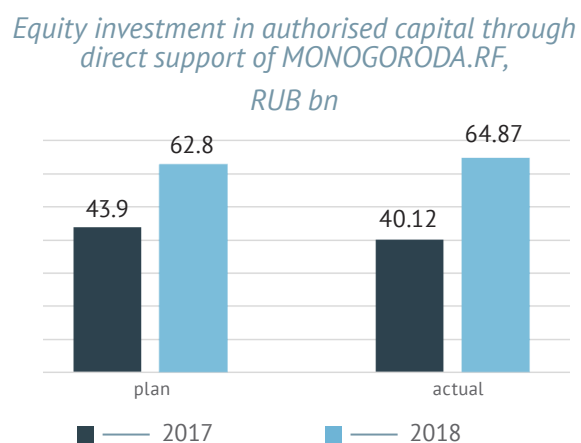
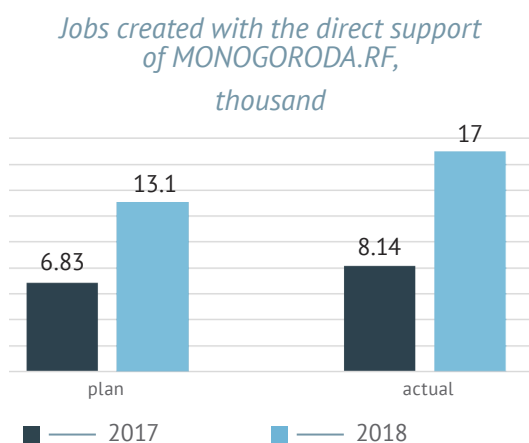
2,939 new jobs

RUB26,134mn worth of total project investment

In 2018, the Fund:

- signed six agreements to co-finance expenses of Russian regions and municipalities for construction and/or renovation of infrastructure facilities required for investment projects in single-industry towns;

- committed to co-finance expenses of Russian regions and/or single-industry towns for construction and/or renovation of infrastructure facilities required for investment projects in single-industry towns for a total of RUB0.6bn;
- transferred RUB2.5bn to Russian regions to meet its commitments;
- signed four agreements on its involvement in financing investment projects by providing a loan for a total of RUB3.25bn, with declared investment totalling RUB15.4bn and 505 new jobs;
- entered into 11 agreements with development institutions, public, business, lending and other organisations.



**PROJECT TO INCREASE THE HJT PRODUCTION LINE CAPACITY,
USING HEVEL'S NOVOCHEBOKSARSK-BASED FACILITIES**

Project initiator: Hevel

Total project value: RUB2.8bn

MONOGORODA.RF's commitment: RUB1bn

Project goal: Increase the annual HJT production line capacity from 160 to 250 MW, using Hevel's Novocheboksarsk-based production facilities



Effects:

- Enhanced energy efficiency, reduced resource consumption and waste generation, production of highly efficient solar cells;
- Investment in single-industry towns, synergies from using support mechanisms of development institutions (MONOGORODA.RF, IDF);
- 112 new jobs not related to the largest local employer.



- 406.500 jobs not related to the largest local employers;
- Five Steps for Improvement programme implemented in all 319 single-industry towns, including around 1,200 projects aimed at creating an improved urban environment;
 - advanced development zones created in 65 single-industry towns with a beneficial business environment for;
 - 55 facilities put in operation as at 31 December 2018;
 - 310 central streets repaired with due consideration to residents' opinions;
 - 289 entrance halls (registration and waiting rooms) modernised at healthcare institutions;
 - 10 WorldSkills competency centres opened;
 - 12 children's technology parks established;
 - 391 ambulances supplied;
 - over 1,000 children from single-industry towns engaged in the 1000 Young Footballers project.



“The Monotowns Development Fund has extensive experience in implementing projects that not only created new jobs, but also improved quality of life in 319 Russian one-factory towns. We are facing a major challenge of preserving best practices for support for one-factory towns and extending this approach to urban development in general.”

Irina Makieva

Deputy Chairperson, VEB.RF

The project office organised advisory and methodological support for single-industry towns, including related to taking various measures of government support, attracting public budget and private financing to implement programmes for developing single-industry towns.


To drive stronger performance of the project office, a curator was assigned to each single-industry town: line managers, who assist single-industry towns in their relations with other development institutions, such as VEB.RF, Industry Development Fund, RSMB Corporation and DOM.RF.

MONOGORODA.RF works to improve the tools and mechanisms of support for single-industry towns while considering actual needs of the business community and opportunities for business development in challenging territories.

In late 2018, the Fund has expanded its measures of support by extending its loan maturities from eight to fifteen years, with MONOGORODA.RF's potential commitment increased to 80% of the total amount. The time required to review documents was considerably reduced, with zero interest loans given to borrowers having bank guarantees.

The Fund has vast experience in working directly with municipalities. A highlight of the priority programme, Integrated Development of Single-Industry Towns, implemented with direct engagement of MONOGORODA.RF included an educational project for teams managing the development of single-industry towns.

Under the Monotowns Development Academy project, MONOGORODA.RF organised training seminars and conferences for managers from all Russian single-industry towns in 2018. The Fund held a total of six training seminars during the year, with 900 attendees representing monotown management teams from 61 Russian regions.



БЭБ
СФ

The Monotowns Development Fund sets a zero interest rate for loans up to RUB250mn backed by guarantees issued by VEB.RF, Russian banks, RSMB Corporation and/or SME Bank.

monotowns



For the first time in Russia's history, the business case "Single-Industry Towns: A Long Way Towards Transformation" won the first prize at 2018 EFMD Excellence in Practice in the Ecosystem Development special category. The business case included an occupational training programme under which 1,546 members of teams in charge of monotown development projects received training and certification.

5.8. Social Impact Bonds

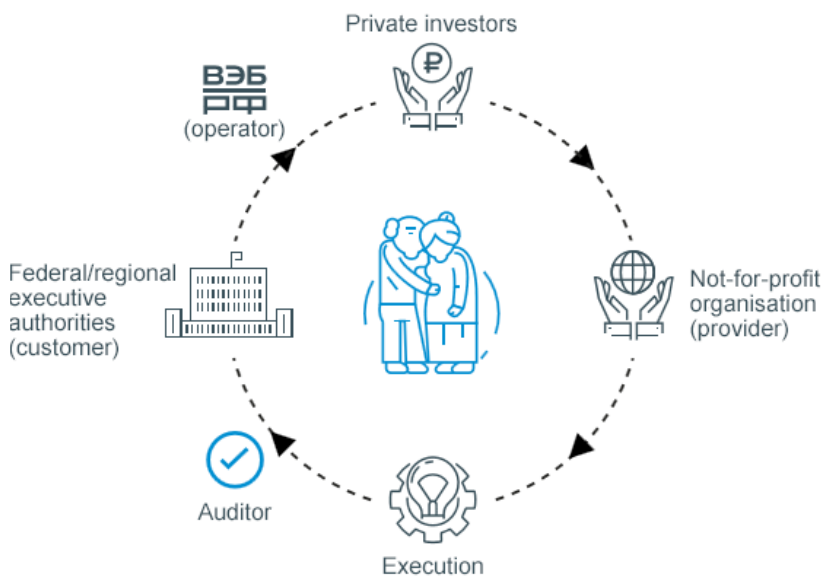
Social Impact Bonds (SIB) are an instrument to attract private investment in the social sphere on a pay-for-success basis. International SIB efforts started in 2010 to cover 109 projects in several industries, with investments totalling USD300mn in countries such as the United Kingdom, Germany, Australia, Canada, the United States, the Netherlands, and Columbia.

VEB.RF has plans to be a SIB operator to organise interaction between the government, private investors and project teams. The operator conducts SIB structuring (including the financial model), participates in the development of the required regulatory framework, searches for investors and project performers, monitors the project's progress, and evaluates its socio-economic impacts.



“SIBs and other private initiative projects in the social sphere differ in that the SIB project is fully financed by private investors. Repayment from the government to investors is contingent on the achievement of specified social outcomes. Such experimental projects, which have proved viable and effective, can subsequently be scaled appropriately and put into day-to-day practice in the social sphere.”

*Svetlana Yachevskaya
Deputy Chairperson and Member of the Management Board,
Head of Internal Control, VEB.RF*



VEB.RF intends to become the leader in the Russian SIB market and launch several pilot projects. The first project is designed to improve educational results in the Republic of Sakha (Yakutia). The project aims to:

- improve the quality of general education as a basis for developing the abilities of each schoolchild and make local human resources more competitive;
- create the conditions for enhancing the quality of general education and enable the Republic of Sakha (Yakutia) to become a leader in this sphere;
- transform the management mechanism of general education to ensure manageable improvements to education quality in the Republic of Sakha (Yakutia).

It is intended that the project will be extended across the Republic of Sakha (Yakutia), the Far Eastern Federal District, and the Russian Federation as a whole.

As part of this initiative, VEB.RF is active in collaborating with the related ministries and administrations of Russian regions and working in cooperation with the Ministry of Economic Development and the Ministry of Finance. VEB.RF expects that efficient innovations resulting from such pilot projects will be put into day-to-day practice in the social sphere.

POTENTIAL AREAS OF IMPLEMENTING SOCIAL IMPACT BOND PROJECTS



Education: improving general education in the regions by cutting education costs and directing saved funds to regional education development programmes.



Sports: promoting a healthy lifestyle, physical culture and sports.



Social support for children: creating the conditions for finding a comprehensive solution for issues faced by families and children at risk.



Rehabilitation: achieving the faster rehabilitation of patients having a stroke, heart attack, and hip fracture.



Gerontology: ensuring that the elderly can receive affordable and high-quality care.

VEB.RF's proposals regarding this instrument are included in national projects such as Education (seven out of ten federal projects) and Demographics, which reflects the importance and timeliness of SIB initiatives. Additionally, the Concept for Improving the Efficiency of Public Budget Expenses in 2019–2024 approved by the Government of the Russian Federation includes the provisions on the need to apply SIB and a description of the procedure for reimbursing private investments

in social projects only after a meaningful social impact is achieved.

VEB.RF is launching a separate information section covering the SIB mechanism on its official website. Its target audience will primarily include non-governmental organisations, investors, and the media.



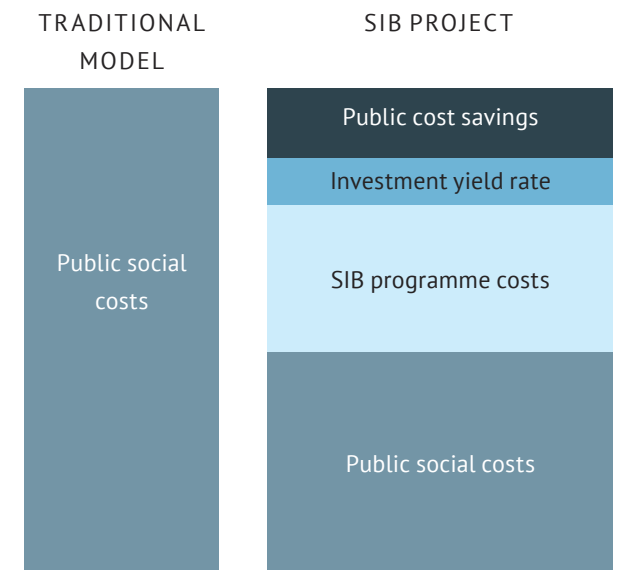
“The Russian Ministry of Labour and Social Protection, with the support of the Russian Ministry of Construction, Sberbank and Vnesheconombank, will launch a project to construct comfortable low-rise retirement and care homes.”

Maxim Topilin

Minister of Labour and Social Protection of the Russian Federation

This information resource is planned to be used to search for potential service providers to implement projects currently under development, select project ideas, and collect applications from potential providers and investors.

SIB projects do not involve additional public costs



5.9. Development of the Russian Far East



Development of the Far Eastern and Baikal macro-regions is among the priorities of VEB.RF's investment policy. Projects currently under VEB.RF's review include projects in industries such as chemistry and petrochemistry, shipbuilding, manufacturing, port and transport infrastructure. Our major focus is on urban economy projects. VEB.RF operates in regions in close coordination with other development institutions such as DOM.RF and RSMB Corporation.

VEB.RF and the Administration of the Primorye Territory signed a cooperation agreement for projects aimed at improving the urban environment. The agreement provides for the potential implementation of projects to improve the urban environment, including by engaging VEB-Leasing to modernise public passenger transport, and finance the construction of heat supply and water treatment facilities in the Primorye Territory.

The Far East and Baikal Region Development Fund, one of the VEB.RF Group's entities, plays a leading role in addressing development objectives of these two macro-regions of Russia. The strategic goal of the Fund consists in implementing priority investment projects in the Russian Far East to accelerate its socio-economic development through providing cheap debt financing.

The Fund's priority focus areas include financing infrastructural and industrial projects on beneficial terms in the advanced development zones (37% of the project portfolio) and the Free Port of Vladivostok created in the Far Eastern Federal District. The Fund operates as the major investor in non-commodity projects in the Far Eastern Federal District. The Fund is also planning to increase the multiplying effect of

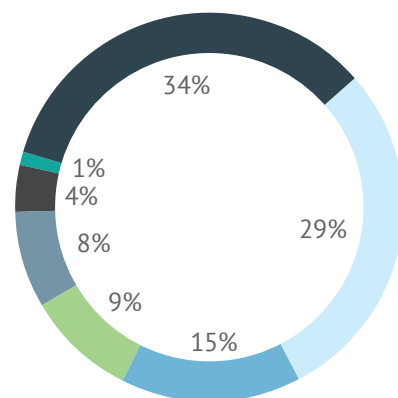


private investment on capital employed (including foreign investment) and adopt a private equity model implying the Fund directly investing in the authorised capital of key projects instead of the existing model of low-interest loans.

The procedure for selecting investment projects to be financed by the Fund is governed by Resolution of the Russian Government No. 1055 of 16 December 2014 “On the Approval of the Methodology for Selecting Investment Projects Planned for Implementation in the Russian Far East and Baikal Region”.

The Fund’s portfolio comprises 17 infrastructural and industrial projects totalling RUB179.8bn, including RUB44.6bn invested by the Fund.

Portfolio by industry



- Infrastructure
- Finance
- Agriculture
- Mining
- Housing construction and public utilities
- Innovation
- Consulting

Projects financed by the Fund as at the end of 2018 are expected to create over 5,600 new jobs and provide over RUB98bn in tax proceeds.

In 2018, the Fund launched the financing of six projects totalling RUB79.4bn, with the Fund’s commitment of RUB13.3bn.

PERFORMANCE TARGETS UNDER THE GOVERNMENT PROGRAMME FOR THE SOCIO-ECONOMIC DEVELOPMENT OF THE RUSSIAN FAR EAST

GOVERNMENT PROGRAMME TARGET	PLAN FOR 2018	ACTUAL AS AT 31/12/2018
Number of investment projects	14	17
Number of new jobs (thousand)	2.45	2.51
Number of high-performance jobs (thousand)	0.74	0.81

KHABAROVSK AIRPORT DEVELOPMENT

Project initiator: Khabarovsk Airport

Co-investor: VEB.RF

Total project value: RUB4.9bn

Fund's commitment: RUB2bn

Project goal: Build a new passenger terminal for domestic airlines with an area of 26,000 square metres at Khabarovsk Airport to service 1,200 pax/hour

Effects:

— Additional taxes of RUB0.7bn;

— Additional taxes of RUB0.7bn;

— 450 new jobs.



INAGLINSKY MINING AND PROCESSING PLANT CONSTRUCTION

Project initiator: Inaglinsky Mining and Processing Plant

Total project value: RUB21.2bn

Fund's commitment: RUB4bn

Project goal: Develop one of Russia's largest hard coking coal deposits (grades Zh and KZh) to unleash the export potential of the Far East

Effects:

— Additional taxes of RUB13.2bn;



— Gross regional product increased by RUB77bn;

— 2,000 new jobs.

The due diligence process included checking the project for compliance with environmental legislation. The due diligence process included checking the project for compliance with environmental legislation. Environmental impact assessment will be carried out for each new facility.

The RUB5bn Far East High Technology Fund was created jointly with RUSNANO and Russian Venture Company. Agreements were signed to implement the first projects for designing Russian-built industrial safety systems, VR-based software to train industrial personnel, and power supply sources for robotised machinery and self-sustaining power installations.

As part of implementing the instruction of the Russian President to enhance the fish farming industry's efficiency, an online service was created in the Russian Far East for investors (www.aquavostok.ru), which can be used by entrepreneurs to select a site on a map of available water areas and then purchase it via an e-marketplace integrated with an online service. The document management process was fully automated. The

VEB.RF Group non-financial report 2018

procedure for acquiring water areas became transparent and competitive.

High-potential projects of the Fund include the creation of the Russky Island international cooperation centre in Vladivostok, the construction of a methanol and fertiliser plant (NZMU) in the Primorye Territory, and several agricultural projects.

In 2018, the Fund continued work under the Affordable Loans for Small and Medium-Sized Enterprises programme implemented together major government-sponsored Russian banks.

The programme received strong positive feedback from customers, partner banks, and the mass media. According to a survey of Far Eastern entrepreneurs who had already received loans, 90% of the respondents replied that they had decided to join the programme because of its low interest rate (10.5% per annum on average). All respondents noted the affordability of financing under the programme as compared to loans previously offered in the Far Eastern market, many also highlighted the high speed of loan decision-making and the minimum of red tape.



Alyonka children's healthcare centre financed under a programme of Sberbank and the Far East and Baikal Region Development Fund

STATISTICAL AND ACTUAL DATA: SME PROGRAMMES FOR THE SOCIO-ECONOMIC DEVELOPMENT OF THE RUSSIAN FAR EAST

Loans approved:

— throughout the programme's duration: 646 loans for RUB14bn (with RUB5bn committed by the Fund);

— in 2018: 50 loans for RUB0.4bn (with RUB0.2bn committed by the Fund).

Investments from SMEs:

— throughout the programme's duration: RUB5.1bn. SMEs primarily invest in property related projects;

— in 2018: RUB0.014bn. SMEs primarily invest in wholesale related projects.

Number of jobs created by the programme's participants:

— throughout the programme's duration: 11,200 jobs;

— In 2018: 800 jobs.



Jointly with the Japan Bank for International Cooperation (JBIC) and the Far East Investment and Export Agency, the Fund set up a mechanism, Russia-Japan investment platform, to attract Japanese investment in advanced development zones and the Free Port of Vladivostok and provide comprehensive support for projects involving Japanese companies in the Russian Far East. Over 60 high-potential projects were reviewed, with eight cooperation agreements signed, including with Arai Shoji Co. Ltd., Hokkaido Corporation, JFE Engineering Corporation, Marubeni Corporation, Mutsui O.S.K.Lines, Hotel Okura Co. Ltd. The platform also serves as a venue for the regular discussion of issues raised by Japanese investors to improve the investment climate. The Russia-Japan investment platform helped to enter into first investment agreements, for instance in Yakutia. The project's total value is RUB1.5bn, with RUB300mn contributed by the Far East and Baikal Region Development Fund.

Together with the Russia-China Investment Fund (created with the support from China Investment Corporation (CIC)), the Fund made investments in the construction of the first railway bridge between Russia and China. The construction project is under way in the Jewish Autonomous Region and is scheduled for completion in 2019. The bridge between Russia and China will become part of a new export route that will encourage the creation of new logistical and industrial clusters and improve transport accessibility in several regions in the Russian Far East.

5.10. Developing Economic Co-operation Between Russia and Belarus



In accordance with the Strategic Development Plan of Bank BelVEB for 2016–2019 approved by the Supervisory Board of Bank BelVEB on 20 October 2015, MoM No. 25 (as amended by the Supervisory Board of Bank BelVEB on 26 July 2017, MoM No. 25), the principal goals of the bank's operations include supporting Russian-Belarusian integration projects. The Strategy provides for increasing the amount of financing allocated for Russian-Belarusian integration projects in 2019 to RUB77bn,

Financial support for integration projects accounted for 51.5% of total financial support for Bank BelVEB's corporate customers in 2018 (55.8% in 2017)

or 13% up on 2016. In 2018, Bank BelVEB increased the planned amount of financing allocated for Russian-Belarusian integration projects by one-fourth to the equivalent of RUB94.6bn.

To achieve the goal of ensuring an increase in the amount of financing allocated for Russian-Belarusian integration projects and promote Russian exports, Bank BelVEB intends to:

VEB.RF Group non-financial report 2018

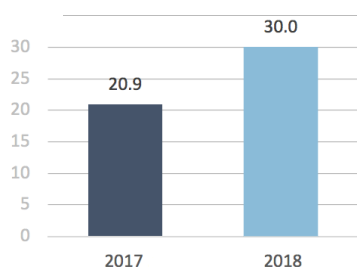
- work on financing projects aimed at developing and expanding integration links between Russia and Belarus and the supply of products from/to Belarus and Russia;
- participate in Belarusian bidding procedures for the supply of high-technology products and services from Russia under modernisation programmes as a financing bank funded by VEB.RF;
- develop the framework for financial support of Russian-Belarusian integration projects in collaboration with VEB.RF and its subsidiaries;
- prepare proposals to improve the regulatory framework for implementing projects to finance the export of products resulting from Russian-Belarusian cooperation to third countries.

Financial support for the Russian-Belarusian integration in 2018 included financial support for Russian exports to Belarus (RUB30bn) and Belarusian exports to Russia (above RUB22bn).

In 2018, VEB.RF was actively involved in the Programme of Initiatives to Be Reviewed and Implemented by the Project Office for Export Development⁹ approved on 27 February 2018 (the “Programme”).

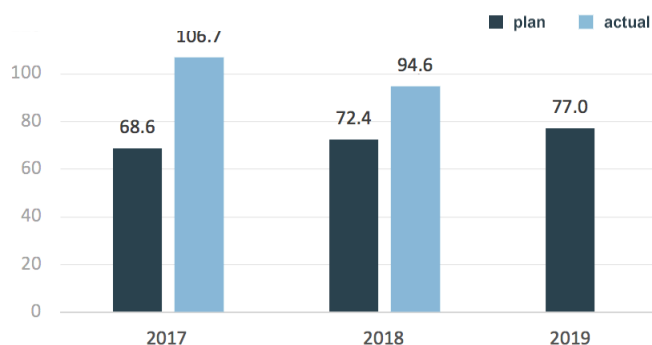
Financing for Russia-Belarus integration projects

RUB bn per year



Targeted financing of Russian exports to Belarus

RUB bn per year



The key objectives related to integration cooperation between the Republic of Belarus and the Russian Federation under the Programme include support for exports of Belarusian and Russian products (goods, work, and services), including jointly manufactured products, to third countries.

Bank BelVEB borrowed an equivalent of USD52.1mn in total from VEB.RF to finance customer payments, including under the following export contracts:

- RUPP Granit to purchase Russian-built equipment;

⁹ Bank BelVEB coordinates the operations of the Project Office for Export Development set up in accordance with a directive of the Prime Minister of the Republic of Belarus in 2016. The creation of an integration development platform is provided for in the Memorandum between the Government of the Republic of Belarus, VEB.RF, EXIMBANK OF RUSSIA, the Development Bank of the Republic of Belarus, and Bank BelVEB in December 2016.

- Mogilevkhimvolokno to purchase Russian-made products;
- Gomelskoye PO Kristall (management company of KRISTALL-HOLDING) to supply Russian rough diamonds;
- Lakokraska to supply technical pentaerythritol of Russian origin;
- Integral (the managing company of Integral holding company) to supply parts of integrated circuits;
- ALIDI-Vest to supply fast-moving consumer goods of Russian origin.

The share of the bank's financial participation in the Russian-Belarusian trade turnover is on the increase (from 2.0% in 2014 to 4.3% in 2018).

In total, 405 customers were financially supported by the bank in 2018. Most investments were allocated to Russian-Belarusian integration projects implemented by Belarusian Oil Company, Belarusian Metallurgical Plant, Mogilevkhimvolokno, Atlant, Belvest, Mozyrsky Oil Refinery, MTZ, Turovsky Dairy Plant, and SvetlogorskKhimvolokno.

SUPPLY OF RAILS



Project initiator: Belarusian Railway

Total project value: RUB1.6bn

Project goal: Replace Belarusian Railway rails in a timely manner in order to increase train speed, reduce the length of obsolete tracks. Rails will be manufactured by Chelyabinsk Metallurgical Plant.

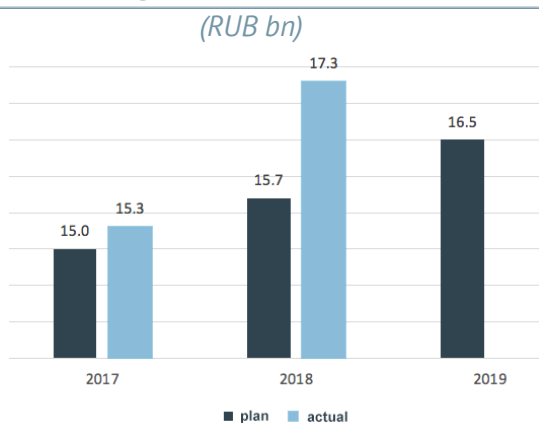
Effects:

- No delay in supplying track materials through the use of letters of credit, which is an optimal method facilitating timely payments to suppliers

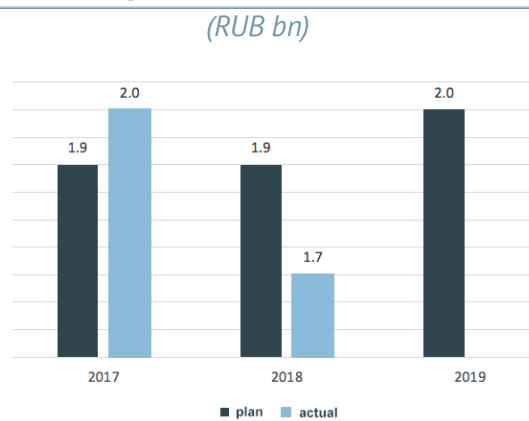
EXIMBANK OF RUSSIA issued confirmed letters of credit totalling the equivalent of USD14.53mn to Belarusian Railway to pay for railway rails manufactured by Chelyabinsk Metallurgical Plant. The L/C-based

financing can use a subsidised interest rate under the programme to support exports of high-technology products from the Russian Federation.

Changes in the bank's equity



Changes in the bank's net profit



In March 2018, Bank BelVEB and VEB-Leasing established a new lease company, BelVEBLEASING. The primary purpose of their subsidiary will be to promote exports of Russian-made high-technology products to Belarus, using lease mechanisms. Its key business lines include car and equipment lease. With the launch of the new enterprise, VEB-Leasing will be able to continue, jointly with VEB.RF and Bank BelVEB, implementing the VEB.RF Group strategy focused on supporting the Russian economy. Lease support for projects and trading operations will expand the range of Russian high-technology products supplied to Belarus, which will contribute to the further development of exports and innovation and will facilitate stronger integration.

Bank BelVEB's profit for 2018 was RUB1.7bn, or 89.5% of the target. The bank's authorised capital increased from RUB15.3bn to RUB17.3bn in 2018.

With a stable operational and financial position, including during 2018, Bank BelVEB is well positioned to meet all its obligations to customers and business partners when due.

As at 31 December 2018, Bank BelVEB's market positions in the banking system of the Republic of Belarus were as follows: 5th by loan portfolio (5.8%) and assets (6.0%); 6th by equity (5.3%); and 7th by profit (4.7%) and customer deposits (5.5%).

Bank BelVEB ranked third in terms of loans issued to corporate entities (7.1%), tenth in terms of retail lending (2.1%), fourth in terms of household deposits (5.4%), and seventh in terms of corporate deposits (5.6%).

In 2018, Bank BelVEB set up a subsidiary, VEB Technologies. VEB Technologies received High-Tech Park resident status.

The bank's future key business areas are as follows: innovation services, sale of ready-made innovation solutions to external customers, development of internal IT competencies, and collaboration with the bank's partners in the area of IT solutions.

While development its digital technology operations, the bank will increase a presence in the SME segment, develop retail operations, reduce costs by outsourcing certain operational services, develop cross-selling instruments, optimise the bank's regional network, and introduce risk-free products.

In 2018, the bank secured a stable operational and financial position and met all its obligations to customers when due. As at 31 December 2018, the bank complied with all prudential standards for safe operation set by the National Bank of the Republic of Belarus.

5.11. Contribution Towards the Green Economy

As the leading development institution of Russia, VEB.RF contributes to promoting best practices in green financing at national level and participates in the operation of key international platforms that make decisions on improving the green financing framework globally.

In 2018, VEB.RF continued to be involved in:

- the work of the Green Finance Study Group as part of G20;
- the work of the Bank of Russia's Green Finance Group;
- the work of the non-financial reporting group of the Russian Ministry of Economic Development;
- the work of the group of the Russian Ministry of Industry and Trade on developing a mechanism for subsidising bonds issued to implement the best available technology.

As a participant to the Ecology national project, VEB.RF considers its involvement in federal projects such as Clean Country and Building a Comprehensive Framework for Treating Municipal Solid Waste.

5.12. Synergies in the VEB.RF Group

VEB LEASING: INTEGRATION INTO VEB.RF'S GENERAL STRATEGY

Promotion of priority focus areas of the Russian economy, such as infrastructure, industry, exports and innovation, through leasing projects within the VEB.RF Group is made by VEB-Leasing.¹⁰

VEB-Leasing's net profit in accordance with RAS in 2018 totalled RUB4bn as against a RUB109bn loss in 2017.

VEB-Leasing's core business is related to the lease of aircraft equipment and accessories, railway vehicles, sea and river vessels, high technology equipment, real property, public and urban transport, and road and construction machinery.

¹⁰ Hereinafter, VEB-Leasing.

VEB-Leasing is a top performer in the Russian leasing market. According to the Expert RA rating agency, VEB-Leasing ranked fourth in terms of its leasing portfolio, sixth in terms of new business transactions, and first in terms of payments received in 2018.

In 2018, VEB-Leasing structured transactions to finance the construction of two new-generation Aframax oil tankers for a total of more than RUB12.8bn, and a transaction to finance the construction of Arctic shuttle tankers for RUB18.4bn approved by VEB.RF's Supervisory Board.

VEB-Leasing objectives for 2018 were specified in its Turnaround Programme for 2017-2018 and Core Strategic Business Lines approved by the Resolution of Vnesheconombank's Supervisory Board of 27 July 2017. VEB-Leasing's key objective in 2018 was the achievement of break-even performance.

As at 31 December 2018, VEB-Leasing's leasing portfolio was RUB376.1bn.



“We have done a good job to settle bad debts and continued to work towards raising funds from the VEB.RF Group instead of expensive external funding. We have also profited from operating lease income and efficient FX position management.”

*Artyom Dovlatov
General Director, VEB-Leasing*

INITIATIVES IN 2018

- One the most important industrial equipment leasing agreement signed by VEB.RF, Rosneft and VEB-Leasing in 2018: Rosneft, Zvezda, Arctic Leasing (a VEB-Leasing subsidiary) and SKF Eco (a Sovcomflot subsidiary) entered into several contracts to build two new-generation Aframax oil tankers.
- One the most important industrial equipment leasing agreement signed by VEB.RF, Rosneft and VEB-Leasing in 2018: Rosneft, Zvezda, Arctic Leasing (a VEB-Leasing subsidiary) and SKF Eco (a Sovcomflot subsidiary) entered into several contracts to build two new-generation Aframax oil tankers.
- One the most important industrial equipment leasing agreement signed by VEB.RF, Rosneft and VEB-Leasing in 2018: Rosneft, Zvezda, Arctic Leasing (a VEB-Leasing subsidiary) and SKF Eco (a Sovcomflot subsidiary) entered into several contracts to build two new-generation Aframax oil tankers.
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- 10 electric multiple units leased to Central Exurban Passenger Company (CEPC).
- Delivery of the 20th Sukhoi Superjet 100 (SSJ100) airliner to Aeroflot under the contract with the airline.

VEB-Leasing and members of Clean Country Association, the largest national organisation consolidating Russian waste treatment operators and specialists, have made a road map to jointly implement infrastructure projects in Russia, and are planning to participate in municipal solid waste treatment conferences.

- Agreement signed by VEB-Leasing, the Far East and Baikal Region Development Fund and Merkator Holding to cooperate in developing the production and financing of innovative special-purpose, municipal and road equipment in the Far East and the Primorie Territory.

- Financed for the supply of boiler equipment to the Ulyanovsk Region (about RUB300mn worth of 26 modular boiler systems and equipment under the two-year modernisation programme for heat sources in the Ulyanovsk Region for 2017-2018).
- Leasing agreement for the Russian-made 12-seat TVS-2MC aircraft.

VEB Engineering's major achievements in 2018 included the creation of an engineering marketplace and a digital standard for VEB.RF.

VEB-Leasing was awarded a prize by the RAEX rating agency (RAEX-Analytics) in a special category "Leader in Lease Payments Received in 2018". The agency also included VEB-Leasing on the list of the top three leasing companies in the lorry segment.



"We understand that people are the primary source of value at every enterprise. We are ... interested in retaining every employee."

*Mikhail Kuzovlev
First Deputy Chairman and
Member of the Management Board, VEB.RF
Chairman of the Supervisory Board, VEB Capital*

VEB ENGINEERING: PROJECT SUPPORT

In the first half of 2018, VEB.RF's subsidiary, VEB Engineering, operated as the centre of due diligence for construction projects. VEB Engineering also developed the marketplace for engineering services and supported VEB.RF's investment portfolio.

In the second half of 2018, due to changes to VEB.RF's regulatory framework, the beginning of a large-scale reorganisation, the development of a new development strategy and business model, VEB.RF initiated the transformation of VEB Engineering to be completed by 2020.

MANAGING DISTRESSED ASSETS

When managing distressed and non-core assets, the VEB.RF Group formulates various strategies depending on the current state of the distressed asset, its operating performance and market value. The strategies are always chosen so that the interests of VEB.RF and the government are balanced in the best way and are developed in close cooperation with all stakeholders.

VEB Capital LLC¹² is a wholly owned subsidiary of VEB.RF, which is engaged, together with VEB.RF, in managing distressed assets in order to increase their market value for subsequent disposal.



SUPPORT FOR EXPORTS



6. Support for exports



Supporting Russian non-commodity exports is a key focus area of VEB.RF.

As instructed by Russian President Vladimir Putin, achieving the objective of doubling the amount of non-commodity non-energy exports to USD250bn by 2024, set by Russian President Vladimir Putin, requires combined efforts of different institutions, including VEB.RF, Russian Export Center, and RSMB Corporation. VEB.RF will operate as a platform to coordinate these efforts.

As the parent organisation within the VEB.RF Group, VEB.RF plays an important role in providing financial support for exports. VEB.RF promotes the geographic diversification of exports and helps Russian companies to gain entry into new markets and retain their existing market share. The key regions for promoting Russian exports include the CIS, South-East Asia, Latin America, Africa and Europe.

At the September 2018 meeting, the Presidium of the Presidential Council for Strategic Development and Priority Projects approved the International Cooperation and Export project worksheet. Under this national project, VEB.RF is involved in:

- formulating the industrial and trading policy, including the existing mechanism of public support, on achieving international competitiveness of Russian goods (work, services) to secure their presence in international markets;

- completing the creation of a versatile range of financial instruments to support exports, including export and equity financing, leasing, and long-term support tools.

As part of its export operations, VEB.RF strictly complies with the requirements of the WTO and OECD, the principles and standards of Russian and international laws, including those related to combating the



“We should invest in projects that will promote the country’s economic development, including through export. In order for the Russian economy to grow faster than globally, we need to conquer new markets. VEB and its projects today are also government support, guarantees and REC’s insurance, along with RSMB Corporation’s capabilities. Expanding export opportunities means making high-quality competitive products in Russia, creating jobs and improving the quality of life.”

Igor Shuvalov
Chairman, VEB.RF

bribery of foreign public officials in international commercial transactions. VEB.RF has in place the Procedure for Organising the Anti-corruption Review of Officially Supported Projects.

In 2018, VEB.RF took part in the meeting of the OECD’s Working Party on Export Credits and Credit Guarantees and in the meeting of technical experts participating in the Arrangement on Officially Supported Export Credits.



VEB.RF and the Development Bank of Mongolia signed two loan agreements as part of Phase 2 of the programme for supplying Russian agricultural equipment to Mongolia.

VEB.RF's website¹³ includes online information service available to Russian entities operating in international markets. The service provides easy access to reference information on key topics related to export financing within the VEB.RF Group, including to identifying potential instruments for financing a specific project.

VEB.RF focuses on creating a beneficial environment for export operations of Russian companies. Platforms used to implement this task include international exhibitions, workshops, business councils, intergovernmental commissions, and other deliberative bodies.

VEB.RF works together with federal executive authorities to improve the regulatory framework for export support and is active in cooperating with the business community in discussing the most relevant matters related to export development, the preparation of joint business proposals, and the search for business partners for Russian companies.

RUSSIAN EXPORT CENTER

Russian Export Center (REC), a specialised subsidiary of VEB.RF, focused on developing non-commodity exports in 2018. The REC Group includes the Russian Agency for Export Credit and Investment Insurance (EXIAR) and EXIMBANK OF RUSSIA as its integral parts, which provide Russian exporters with a wide range of comprehensive financial and non-financial support measures.

Operating as an export support institution, REC has built a flexible toolkit to support businesses in international markets: searching for



international partners; organising B2B meetings, workshops, and business missions; promoting products in international markets; performing analytics and research for exporters; providing assistance in certification, patenting, and licensing; giving advice on customs clearance management, and participation in international projects and

¹³ <http://veb.ru/biznesu/podderzhka-eksporta/eksportnoye-finansirovaniye>.

bidding procedures, with most services provided free of charge and available at all stages of an export contract lifecycle.

REC implements several special export support programmes that offer companies partial reimbursement of costs related to product transportation, certification, and patenting, as well as to participation in international exhibitions and business missions. Part of the REC Group, EXIMBANK OF RUSSIA provides lending and guarantee support, with its most recent loan products focusing primarily on financing foreign buyers directly or via a bank of the importing country.

In December 2018, REC updated its development strategy.

Russian Export Center acquired a stake in the African Export-Import Bank to boost its involvement in development projects across Africa and secure the participation of Russian companies in these projects

The strategy was aligned with the objectives set by the Russian President in relation to increasing non-commodity exports and with the processes of integration with development institutions coordinated by VEB.RF. The changes were made in line with the new functionality of REC operating as the headquarters for the federal project, System Measures of Support for International Cooperation and Exports.



“A key section of the strategy is related to coordinating our activities and operations of other development institutions within the VEB.RF Group. We’ll build a single pipeline of export projects and a shared product catalogue and synchronise customer service processes.”

Igor Shuvalov
Chairman, VEB.RF

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The strategy was aligned with the objectives set by the Russian President in relation to increasing non-commodity exports and with the processes of integration with development institutions coordinated by VEB.RF. The changes were made in line with the new functionality of REC operating as the headquarters for the federal project, System Measures of Support for International Cooperation and Exports:

- enhance the REC Group’s function as a new export initiator, primarily as regards corporate programmes to increase international competitiveness of Russia’s major industrial businesses, and as an export accelerator to encourage the growth of SME exporters across Russian regions;
- build a single framework for promoting exports and developing a regional and international network by engaging trade missions and export support centres. The international network of REC will consist of REC’s own points of presence, namely the Offices (its own representative offices, export support groups at trade missions or representative offices of VEB.RF), as well as partner and agent networks. Export support centres within the regional network will be integrated into a single regional network of REC;
- build a versatile line of financial products, including extended pre-export, export, and equity financing, leasing, and long-term support measures, and transform EXIMBANK OF RUSSIA’s business model with a focus on standardised solutions to roll out SME support;
- update the line of non-financial products, with a focus on the partner search and the promotion channel to partially monetise after-sale services;
- digitalise the REC Group to enable REC to be improve customer service and launch a digital platform on a one-stop shop basis to improve the quality of government relations for international market players;
- enhance relationships with the development institutions coordinated by VEB.RF to improve their efficiency and customer focus, build a single pipeline of export projects and a complementary product catalogue, and synchronise customer processes.

The REC Group’s companies operate in accordance with international standards related to export credits, including the OECD’s Recommendation on Common Approaches to Officially Supported Export Credits and Environmental and Social Due Diligence, and the OECD’s Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

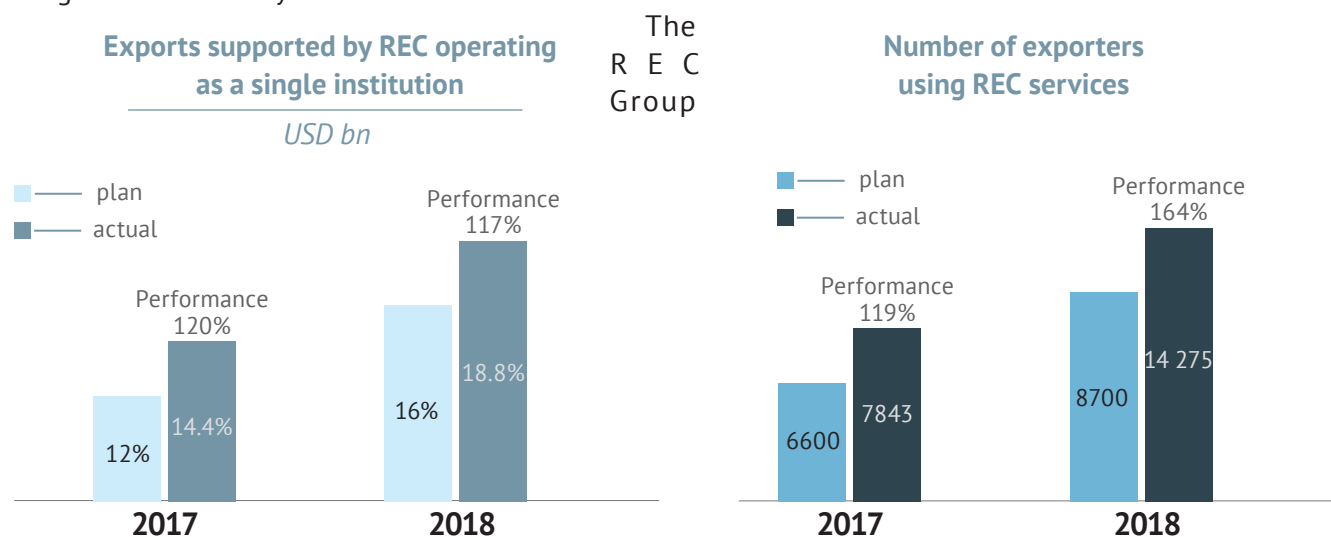
In order to develop cooperation and share accumulated experience in the above matters, the REC Group is represented in the OECD’s working groups, including:

- Working Party on Export Credits and Credit Guarantees (including meetings of social and environmental assessment experts);
- Working Party of participants to the OECD’s Arrangement on Officially Supported Export Credits (the “Arrangement”) (including

meetings of technical experts, country analysis experts, and meetings of participants to the Aircraft Sector Understanding under the Arrangement).

ENVIRONMENTAL AND SOCIAL ASSESSMENT OF PROJECTS

In providing financial support, the REC Group's companies (EXIAR and EXIMBANK OF RUSSIA) assess the social and environmental risks of export and investment projects guided by the key provisions of the OECD's Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence and their bylaws.



operates in accordance with the Corporate Regulation on Assessing Environmental and Social Impacts as Part of Reviewing Requests for Financial Support for Exports and developed and approved internal regulations for EXIAR and EXIMBANK OF RUSSIA.

The Management Board of EXIAR adopted a policy on managing the social and environmental aspects of its operations.

IN 2018, REC:



assessed and categorised social and environmental impacts of 39 projects in accordance with the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence:

- 2 projects were assigned Category B (medium social and environmental impacts);
- 2 projects were assigned Category C (minimal social and environmental impacts);
- 35 projects were not assigned any category as they have almost no social impacts.



monitored compliance by 5 projects with social and environmental covenants

conducted inspections as part of the monitoring of 2 projects (1 project was inspected in cooperation with an independent environmental consultant).

COMBATING BRIBERY OF FOREIGN PUBLIC OFFICIALS

The need to comply with the OECD's requirements related to combating bribery of foreign public officials is driven by the Russian Federation's commitments ensuing from its ratification of the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the "Anti-Bribery Convention"). Consequently, the process applied by the REC Group's companies to signing and supporting agreements incorporates a system for combating bribery and vetting applicants and exporters for their non-involvement in bribery of foreign public officials.

Currently, the REC Group works in accordance with the Corporate Regulation on Combating Bribery of Foreign Public Officials. The Group's employees undergo in-house training to increase the efficiency of implementing anti-corruption practices and integrating the provisions of the Anti-Bribery Convention.

In 2018, the REC Group updated its data submitted to the OECD to review the adoption of anti-bribery assessment procedures in order to inform the OECD of the status of implementing the applicable provisions of the Anti-Bribery Convention.

REGULATION OF EXPORT CREDITS

The Arrangement currently serves as the principal document governing the compliance by public export support institutions with the requirements of the WTO's Agreement on Subsidies and Countervailing Measures, and consequently the REC Group's companies regularly verify whether the terms of their agreements comply with the requirements of the Arrangement.

Additionally, considering the extensive efforts of the international community to align the regulatory framework with advanced practices and develop new standards for providing officially supported export credits, the REC Group's representatives also participate in meetings of the International Working Group (IWG) on export credits.

GREEN ECONOMY

Considering the ongoing agenda on green projects, the comprehensive discussion of issues related to the need to reduce climate impact and adapt to climate change at different levels, and the overall export potential of Russian companies in the renewable energy sector, the REC Group takes part in the relevant initiatives and promotes the mechanisms for supporting green machine building and machine

building used during the manufacturing industry's transition to the best available technology.

As a consequence, representatives of the REC Group participated in the following initiatives in 2018:

- Commission on the Economics of Climate Change and Sustainable Development, part of the Russian National Committee of the International Chamber of Commerce – the World Business Organisation (ICC Russia), whose primary goal is to prepare recommendations and tools to meet global environmental and energy challenges, such as climate change, promote the green economy and implement the sustainable development concept;
- Russian Pavilion at the 24th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change in Katowice;
- OECD's Forum on Green Finance and Investment.



EFFECTIVENESS OF NON-FINANCIAL MEASURES

The effectiveness of non-financial measures implemented by Russian Export Center increased in 2018, including as follows:

- five virtual points of presence of Russian Export Center implemented at Asian online marketplaces;
- nine regional Made In Russia tracks held, involving over 1250 exporting companies, with over 400 applications received under the voluntary certification programme, while 236 companies passed the first certification stage and over 91 companies passed the second stage;
- Gastro Week business missions accomplished in Munich, Seoul, and Jakarta;
- an educational programme of more than 472 export workshops held by the REC Group's School of Export across 57 Russian regions. Educational support under the REC Group's School of Export was provided to 3,231 unique companies. Four large Russian universities became partners of the REC Group's School of Export;
- a joint acceleration programme, Accelerator of Export Growth, launched by REC, the REC Group's School of Export, and the Russian Ministry of Economic Development launched under a national project, Increasing Workforce productivity and Supporting Employment;
- In the reporting period, the educational website of the REC Group's School of Export (www.exportedu.ru) had 191,000 visitors, including 71,639 unique visitors.

The Regional Export Standard 2.0 is being implemented across Russian regions. It will be adopted in 10 pilot regions by the end of 2019 and then will be extended to all other regions.





INVESTING IN THE COMMUNITY



7.1. Mechanism of Government Guarantee Support

In 2018, VEB.RF continued to perform its functions of an agent for the Russian Government with regard to the issuance of government guarantees of the Russian Federation to principals, as well as supporting, administering, and performing under, guarantees provided by the Russian Federation.

The mechanism of government guarantee support for 2018 was outlined in the Programmes for Government Guarantees of the Russian Federation in the Currency of the Russian Federation and Foreign Currencies (Appendices 36 and 38 to Federal Law No. 362 “On the Federal Budget for 2018 and the Planning Period of 2019 and 2020” of 5 December 2017), as well as in the applicable Rules for Providing Government Guarantees of the Russian Federation approved by Resolutions of the Government of the Russian Federation No. 549 of 10 May 2017, No. 709 of 10 September 2010, No. 654 of 6 June 2018, and No. 803 of 1 November 2008.

The positive effect of government guarantees includes supporting the development of enterprises and healthcare facilities, implementing important infrastructure projects, modernising production facilities, upgrading technology, promoting import substitution, and creating jobs.

The analysis conducted in 2018 with respect to the staff on the payroll at 80 principals shows that the total number of their employees increased from 408,500 in 2017 to 424,100 in 2018. In percentage terms, it is equivalent to a 3.83% growth.

At the construction stage, the investment projects secured by state guarantees will bring about a steady and moderate employment growth in the region.

GOVERNMENT GUARANTEES FOR AGRIBUSINESS

— The construction of a large fruit and vegetable production facility with a protected-cultivation area of 14.65 ha in the Rostov Region was completed in 2018.

— Facilities under construction in 2018: pig farming facility with a total annual capacity of 79,000 tonnes of live-weight pork; compound feed production facility with a total annual capacity of 240,000 tonnes; grain elevator with a capacity of 120,000 tonnes; cattle slaughtering facility with a capacity of 125 head of cattle an hour; recycling facility and vehicle fleet operator in the Primorie Territory.

SUCCESSFUL PROJECTS IN OPERATION IN 2018:

- dairy livestock breeding facility (2,800 head of cattle) in the Bobrovsky District, Voronezh Region;
- livestock breeding facility (6,000 head of cattle) in the Tver Region;
- greenhouse facility having an area of up to 7 ha and using resource-saving protected-cultivation technology for vegetable production in the Stavropol Territory (Phase 1);
- soya processing facility in the Amur Region (Phase 1);
- fruit and vegetable production facility with a protected-cultivation area of 21.78 ha in the Kirovsky District, Stavropol Territory (Phase 3);
- sugar mill with a capacity of 8,000 tonnes of beetroot a day with a pulp drying facility and a silo under the Znamenka Site Expansion Project in the Tambov Region;
- dairy livestock breeding facility (5,000 head of cattle) at Arkhangelskoye in the Anninsky District, Voronezh Region;
- greenhouse facility with a protected-cultivation area of 16 ha in the Tyumen Region (Phase 2 – Unit 3 with an area of 5 ha);
- poultry (broiler) production and processing plant in the Tambov Region.

MAIN AREAS OF AGRIBUSINESS

- meat and dairy farming (beef, pork, chicken, dairy products);
- protected cultivation of fruit and vegetables;
- agricultural processing (sugar production, soya processing).

GOVERNMENT GUARANTEES FOR TRANSPORT

Completed and fully functional:

- new terminal of Anapa Airport;
- new terminal of Perm Airport under the Big Savino Airport Development Project;
- new Yuzhny Airport, Rostov-on-Don) (main terminal and VIP terminal commissioned in December 2017 and February 2018 respectively);
- Bronka multifunctional transshipment facility, Saint Petersburg;

— tank wagon plant with the import-substituting production of special-purpose goods wagons and their complex innovative components .

Projects under way:

— icebreaking supply vessels (class icebreaker – 8);

— road construction and rehabilitation (Syktyvkar-Ukhta-Pechora-Usinsk-Naryan-Mar, Komi Republic).

Government Guarantees for Healthcare

Projects under way:

— production facilities for import-substituting pharmaceutical substances and ready-to-use medications in Yaroslavl and Rostov, Yaroslavl Region ;

— high-technology production facilities for nano vaccines and pharmaceuticals in the Kirov Region (commissioned in 2016).

SOCIO-ECONOMIC EFFECTS OF GOVERNMENT GUARANTEES

Sustained employment growth at regional level.

Multi-fold increase in tax revenues from the principals to the Russian budget.

Significant impact on the financial standing of beneficiary banks from highly liquid collateral and, consequently, decreased requisite reserves.

Significant growth of the principals' revenue in the period following the issuance of government guarantees. The growth of the principals' revenue during the period of the government's support was much greater than the amount of government guarantees for the same period.

7.2. Performing the Functions of the Agent for the Russian Government

In 2018, VEB.RF continued to perform its functions of an agent for the Russian Government under the agency agreement signed with the Ministry of Finance of the Russian Federation in 2009 in several focus areas.

Areas of VEB.RF's Activities in 2018:

Agency Agreement with the Russian Ministry of Finance:

- Accounting for, servicing and settling the external debt of the former USSR and the Russian Federation (including the FX-denominated internal debt of the former USSR);
- Accounting for, servicing and repaying (using) public loans provided by the former USSR and the Russian Federation for foreign borrowers;
- Ensuring the repayment (settlement) of debts owed by corporate entities, Russian regions and municipalities to the Russian Federation as provided for in the federal law on the federal budget for the relevant year and planning period, as required and instructed by the Russian Government and/or the Ministry of Finance, and as specified in contracts signed by VEB.RF;
- Issuing the Russian Federation's government guarantees, and supporting, administering and performing obligations under the Russian Federation's government guarantees, including in relation to analytical accounting for the Russian Federation's government guarantees, obligations of principals and their guarantors or other entities in connection with the issuance and fulfilment of the Russian Federation's government guarantees, and the evaluation of the financial condition of such entities and the recovery of debt to the Russian Federation with regard to such obligations.

The efficiency of VEB.RF as an agent for the Russian Government relies on high professionalism of specialists working in this area and on their continuous efforts to improve their qualifications. No cases of poor performance by VEB.RF's as an agent for the Russian Government were identified.

7.3. Intergovernmental Debt Relations

In 2018, VEB.RF continued to perform a wide range of tasks related to methodological, information, analytical, and accounting support for the operations of the Russian Ministry of Finance in the area of intergovernmental debt relations between the Russian Federation and other countries.

Key Areas of VEB.RF's Activities in 2018:

Agent for Intergovernmental Debt:

- VEB.RF provides a full package of accounting, clearing, payment and banking services throughout the cycle of intergovernmental loans, including in relation to the government-guaranteed export of Russian goods, work and services using export credits issued by the Russian Federation to foreign borrowers;
- VEB.RF provides the Russian Ministry of Finance with comprehensive expert support in formulating and negotiating the terms and conditions of intergovernmental debt transactions, takes part in due diligence for credit documentation, and negotiates with the authorised agencies in borrowers'/lenders' countries over settlement procedures.

VEB.RF's services related to intergovernmental debt transactions between the Russian Federation and foreign countries contributed to stronger foreign economic ties between Russia and other countries as well as to support for exports of Russian high-technology equipment and machinery, including in sectors extremely important for the Russian economy, such as energy and machine building.

As part of performing its agent functions, VEB.RF directly assisted in promoting and implementing large projects run by Russian authorised exporters in foreign countries that have partnership relations with Russia.

As part of Russia's engagement in international initiatives to provide development aid to the poorest countries, VEB.RF provides settlement services to the recipients of the aid, with funds transferred to repay debt accumulated in special accounts with VEB.RF to be further used to finance projects that contribute to development (including healthcare, education, and environmental protection) in these countries.

7.4. Investment of Pension Savings



As the government-controlled management company (the “Management Company”) for pension savings, VEB.RF makes investments ensuring increased pension savings with minimum risks and gives absolute priority to the interests of insured people.

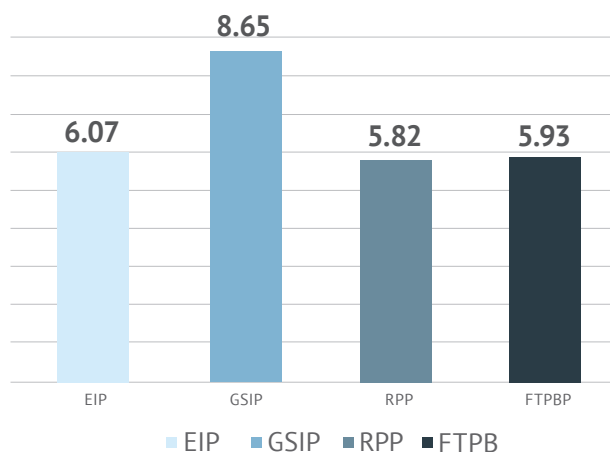
As at 31 December 2018, the assets under the management of the Management Company exceeded RUB1.7tn, or almost 40% of total pension savings in Russia.

The Management Company has two portfolios: the Extended Investment Portfolio (EIP) and the Government Securities Investment Portfolio (GSIP). To perform the functions of the government-controlled management company for pension reserve payouts, VEB.RF also operates two investment portfolios: the Reserve Payouts Portfolio (RPP) and the Fixed-Term Investment Portfolio (FTIP) comprising the pension savings of insured persons entitled to fixed-term pension benefits.

Following on from the results of the Government-Controlled Management Company investing pension savings in 2015–2018, the bottom-line return on the Extended Investment Portfolio was higher than the annual inflation rates. Thus, the Management Company’s return on EIP in the reporting year amounted to 6.07%, i.e. significantly above the inflation rate of 4.26%.

Return on Investment of Pension Savings in 2018

ROI %

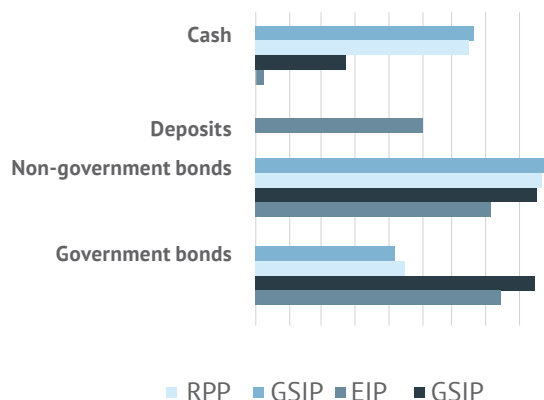


	EIP	GSIP	RPP	FTPBP
Portfolio NAV* (RUBmn)	1,718,749.48	29,129.02	14,452.34	3,519.11

*Management Company's Portfolio NAV

Management Company's Investment Portfolio Structure

%



7.5. Attracting Investment

VEB.RF puts a sharp on fostering partnership relations and holding constructive dialogue with the investment community. The investor engagement system is designed to improve VEB.RF's informational transparency and appeal among investors.

The required amount and lower cost of credit resources are the key factors for VEB.RF to perform its fundamental role as a development institution building a principal source of long investment in the Russian economy by providing affordable financing at lower rates.


In 2018, sanctions caused VEB.RF to shift its borrowing focus onto the Russian debt market. At the same time, VEB.RF regularly examined options of borrowing from alternative capital markets.

VEB.RF was actively involved in legislative initiatives designed to develop the internal debt market and create more fundraising opportunities.

With VEB.RF acquiring a new role in national projects, the promotion of such instruments as infrastructure bonds, green bonds and SIBs in the Russian financial market became an urgent imperative. A wide range of measures are under discussion with the relevant agencies and market participants.

To build up its resource base and ensure sustainable development, VEB.RF raised financing from debt markets.

SECTORS INVESTING IN SHORT-TERM BONDS

 Oil and gas


 Power


 Education


 Transport

 Charities and philanthropic organisations

 Telecommunications

 Aircraft engineering

 Food industry

 Holding companies

 Individuals

“As an issuer, VEB.RF offers investors both standardised products and tailored solutions in capital markets. However, as a state development corporation, we are also active in helping the Russian financial market to realize its full investment potential.”

*Ksenia Nefedova
Vice-President, VEB.RF*

First issued in late 2017 and welcomed by the market, short-term bonds with maturities from 14 to 74 days were offered to investors in 2018 as well. Maturing in 14, 21, and 28 days, the bonds were issued on a weekly basis; transactions with longer maturities were conducted on a case by case basis. VEB.RF made 88 placements of short-term bonds in 2018. In total, VEB.RF raised RUB830.22bn. The coupon rates ranged from 6.68% to 7.45% p.a., with the weighted average coupon rate being 7.1%.

The long-term bonds comprised RUB10bn worth of the PBO-001R-12 bonds issued for 3 years with a coupon rate of 9.14% p.a.

Most long-term bond investors are banks, and insurance and management companies.

Seeking to expand its investor base, promote its funding instruments and increase market participants' exposure to the VEB Group, VEB.RF organised different IR events in 2018:

- Non-deal road show;
- Investor conferences;
- Collective and one-on-one meetings;

VEB.RF viewed investor relations as an important business area because it directly affects borrowing costs and capital market capacity for VEB.RF. Partner relations with the investment community is the cornerstone of VEB.RF's long-term sustained development.

— Conference calls.

The Investor section of VEB.RF's website¹⁴ was an important tool to communicate with a vast audience and enhance VEB.RF's corporate transparency.

Regular studies related to investor identification help to understand the market's needs and design tailored solutions.

VEB.RF's operations in capital markets with extensive support from the Moscow Exchange and National Settlement Depository helped to attract to the Russian debt capital market new participants, namely a wide range of corporate treasuries. This marked an important milestone in the development of Russia's financial sector.

¹⁴ <https://вэб.рф/investoram/>

7.6. Developing the Investment Environment and Professional Community

DEVELOPMENT AWARD

In 2018, VEB.RF organised the sixth annual competition, Development Award¹⁵, for outstanding achievements in implementing investment and export projects of national significance.

Roscongress Foundation was a partner of the Award.

An innovative element, a focus on exports or import substitution, together with social, economic, and environmental impacts, were viewed as the main project evaluation criteria.

The winners of the Development Award 2018 were selected by the jury of independent experts representing public and government agencies, development institutions, and research centres and educational establishments promoting entrepreneurship and investment. The jury's decision was approved by the Management Board of VEB.RF.

In 2018, the award was handed out in new categories, Best Digital Economy Project and Best Innovation Start-up.

The award ceremony was held as part of the plenary session at the Russian Investment Forum in Sochi.



“This is the first award in Russia for outstanding achievements in investment in industrial and infrastructural projects. Improving the investment climate is important as an effective mechanism for creating jobs rather than a goal in itself. The Development Award has definitely been established to support and encourage those who invest, build and create.”

*Dmitry Medvedev
Prime Minister of the Russian Federation,
Chairman of the Supervisory Board, VEB.RF*

Overall, more than 1,500 projects representing all Russian regions were nominated for the Development Award over the seven years of the Award. The Award winners were projects contributing to the comprehensive modernisation of the Russian economy based on sustained socio-economic development.

¹⁵ The Development Award is a national professional award to mark achievements in ambitious investment projects that contribute to Russia's socio-economic development. The annual award was established by VEB.RF in 2012 to facilitate the comprehensive modernisation and rehabilitation of the Russian economy and promote best practices in project management and creating a beneficial investment climate across Russian regions. For more information, visit www.premiya-razvitiya.ru.

VEB.RF Group non-financial report 2018

IN 2018, 26 PROJECTS REPRESENTING 14 RUSSIAN REGIONS PARTICIPATED IN THE CONTEST

IN 2018, 26 PROJECTS REPRESENTING 14 RUSSIAN REGIONS PARTICIPATED IN THE CONTEST

— Winning project: Supply of carriages to the Moscow Metro

— Winning company:

Transholdleasing

664 new carriages supplied to the Moscow Metro

BEST INDUSTRY PROJECT

— Winning project: Construction and operation of production facilities for a new family of YaMZ-530 engines

— Winning company:

Autodiesel (Yaroslavl Motor Plant)

100-330 hp engines meeting and exceeding customers' needs

100-330 HP ENGINES MEETING AND EXCEEDING CUSTOMERS' NEEDS

— Winning project: SmartSeeds

— Winning project:

SmartSeeds

IT platform designed to automate the transport of agricultural and other goods

BEST EXPORT PROJECT

— Winning project: Supply of Russian high-technology oil equipment to the United Arab Emirates

— Winning company: Novomet-Perm

Wider range of Russian non-resource exports to the Middle East



Winners of the Development Award 2018

BEST INNOVATION START-UP

— Winning project: AgroBot

— Winning company: Aurora Robotics

Control system for driverless farm vehicles**EDUCATIONAL INITIATIVES OF THE VEB.RF GROUP**

Traditionally, VEB.RF and its subsidiaries were initiators or participants of prominent educational and discussion events aimed at unlocking the potential of managerial staff, sharing best practices and knowledge with VEB.RF's partners, and increasing the level of financial literacy of the general public.

In 2018, VEB.RF's Chairman Igor Shuvalov delivered a lecture to participants in programmes of the Higher School of Public Administration of the Russian Presidential Academy of National Economy and Public Administration at Moscow School of Management SKOLKOVO on approaches to corporate governance. The lecture was attended by students from two programmes: the Talent Pool of the Presidential Administration and the Executive Master in Public Management programmes. The participants comprised representatives of the federal and local government authorities, state-owned companies, and prize winners of the Leaders of Russia competition.

Igor Shuvalov also presented a lecture on urban economy development for students of the Far Eastern Federal University.

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Igor Shuvalov also presented a lecture on urban economy development for students of the Far Eastern Federal University.

Beginning in 2011, over 550 heads and specialists of regional executive authorities, development institutions and private companies involved in the preparation and implementation of PPP projects across 64 Russian regions received training under the programme with the expert support from the VEB.RF Group. Programme participants believe that information received during the training has a positive impact on the introduction of advanced instruments into developing regional and



urban infrastructure.

In 2018, as part of the Monotowns Development Academy project, MONOGORODA.RF held training seminars and conferences for managers from all Russian single-industry towns. The Fund held a total of six training seminars during the year, with 900 attendees representing monotown management teams from 61 Russian regions.

SVIAZ-BANK'S FINANCIAL MARATHON AS PART OF RUSSIA SAVINGS WEEK

In 2018, this large-scale awareness-raising campaign started on 29 October 2018 at the opening ceremony of Russia Savings Week and covered all Russian regions for the first time in its history.

Sviaz-Bank gave lectures to more than 1,100 guests, with an emphasis on information for the military and retired. The awareness-raising events held by Sviaz-Bank during the year were almost 1.5 times as many as in the previous year.

In 2018, the primary focus was on personal financial planning, financial security and methods of combating financial fraud, pension insurance, the efficient distribution of debt, financial skills developed in families and at school, and other important financial matters. Almost in all regions, representatives of Sviaz-Bank received requests to give lectures on financial literacy in 2018–2019, while some regions hold such events on a permanent basis round the year.

RUSSIAN MINISTRY OF FINANCE: PROJECT TO IMPROVE FINANCIAL LITERACY AND DEVELOP FINANCIAL EDUCATION IN RUSSIA

In 2018, Sviaz-Bank was selected as a partner of Financial Literacy Week for children and young people and Russia Savings Week for adults as part of the Russian Ministry of Finance's project to improve financial literacy and develop financial education in Russia'.

The Bank organised a total of 85 educational events attended by more than 4,000 people.

The Russian Ministry of Finance gave two awards to VEB.RF for active involvement in financial literacy events in 2018, namely Russia Savings Week and Financial Literacy Week.



DEVELOPING THE INTELLECTUAL EXPORT POTENTIAL

Developing the Intellectual Export Potential:

- Financial Resource Management for Exporters (453 unique companies);
- Exports Taxation (309 unique companies);
- Support for Exporters: Russian Export Center Group's Products (451 unique companies).

The REC Group Products courses offered by the REC School of Export were attended by:

- The REC Group Products courses offered by the REC School of Export were attended by;
- 26 representatives of the Industry Development Fund's borrowers;
- 26 representatives of the Industry Development Fund's borrowers.

FINANCIAL UNIVERSITY UNDER THE GOVERNMENT OF THE RUSSIAN FEDERATION: MASTER'S DEGREE PROGRAMME IN PPP PROJECT MANAGEMENT

InfraVEB participates in the master's degree programme of the Financial University under the Government of the Russian Federation in PPP project management.

In 2018, InfraVEB employees gave lectures on change management under PPP social infrastructure projects to 38 students, PPP theory and global best practices to 16 students, and research advice to 2 students.

EXTERNSHIPS AND INTERNSHIPS AT THE VEB.RF GROUP

VEB.RF puts a strong focus on education and cooperation with young talent who have unique digital skills, are able to rapidly react to changes, and are highly adaptable and quick to learn.

While maintaining continuous relations with leading specialised Russian universities, VEB.RF organises externships and internships for students on an annual basis. The most active, ambitious, and talented interns and externs are offered employment at VEB.RF.

In 2018, 49 students and graduates of leading specialised Russian universities underwent externships at VEB business units to gain practical experience and improve their professional skills.

15 leading Russian and foreign universities, such as the Financial University under the Government of the Russian Federation, Lomonosov Moscow State University, Bauman Moscow State Technical University, MGIMO University, the Higher School of Economics and the Russian Presidential Academy of National Economy and Public Administration, sent their students to VEB for externships and internships.



As a partner of Russia Savings Week 2018, Sviaz-Bank received a diploma from the Russian Ministry of Finance

VEB.RF Group non-financial report 2018

Three graduates were employed by VEB.RF after externships.

Every year, more than 100 students from colleges and higher education institutions, majoring in Finance and Credit, Banking, Economics, Information Technology in Economics etc, have externships at Sviaz-Bank. In 2018, 102 students completed externships.

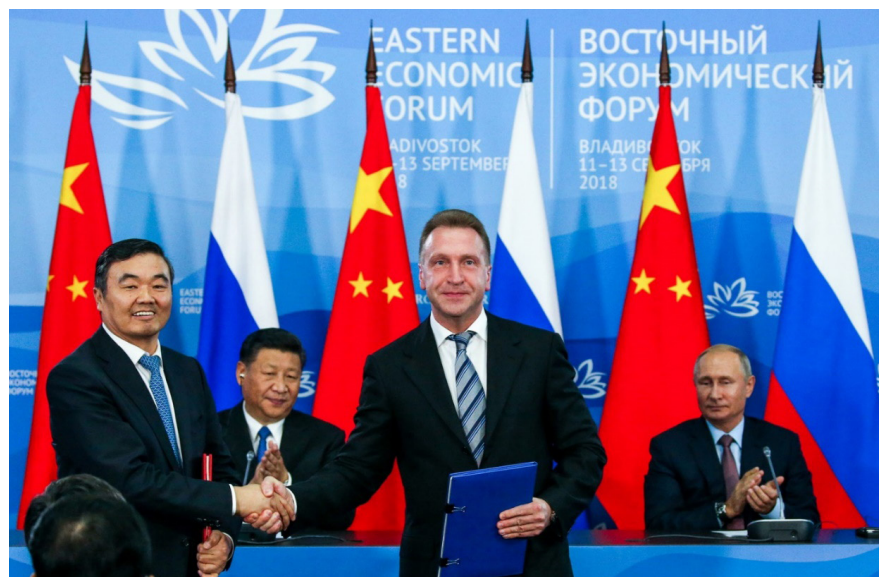
VEB Engineering also provided externships for students and two internships in 2018.



7.7. International Relations

Approaches to engagements with international development institutions are changing to reflect the changes in VEB.RF's functions and VEB.RF's new role in implementing national projects under Decree of the President of the Russian Federation No. 204 of 7 May 2018 "On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024". VEB.RF will coordinate the operations of Russian development institutions, which means that cooperation with international partners will involve a comprehensive approach aimed at balancing the interests of all participants of VEB.RF's coordination team.

In 2018, we continued our relations with associations of development institutions, development banks and international financial organisations both on a bilateral and multilateral basis to raise financing not only for projects designed to develop the Russian economy and promote the interests of Russian exporters, but also to share experience and best practices with international partners.



In 2018, cooperation with foreign financial institutions was primarily aimed at fund raising. In June, VEB.RF and China Development Bank (CDB) signed a framework agreement to create a mechanism of financial support for aligning integration processes across the Eurasian Economic Union

(EAEU) and China's Belt and Road initiative for a total of CNY65bn. The document outlines the key areas, mechanisms, and forms of cooperation in providing expert support for aligning integration projects, and advisory engagements with relevant national and intergovernmental organisations and institutions.



“The meeting between Russian President Vladimir Putin and Chinese President Xi Jinping in 2015 concluded with the joint declaration on cooperation in coordinating the development of the Eurasian Economic Union and the Silk Road Economic Belt. The relations between VEB.RF and CDB are developing in the context of these integration initiatives, with a sharp focus put on infrastructure projects, including the Northern Sea Route, and high-speed traffic between China and Europe. These projects are beneficial for the economies of both countries and the macro-region in general, so it is logical to see the development institutions become responsible for financing.”

Igor Shuvalov
Chairman, VEB.RF

In furtherance of this agreement, VEB.RF and CDB signed a Master Agreement in September for an amount of up to CNY12bn to finance projects of the EAEU and the Belt and Road initiative.

FINANCING FOR THE VEB-LEASING RAILWAY CARRIAGE LEASE PORTFOLIO AS PART OF INTEGRATION EFFORTS FOR THE EAEU AND THE BELT AND ROAD INITIATIVE



Borrower/project initiator/project entity: VEB-Leasing

Total project value: RUB10.178bn

VEB.RF's commitment: RUB10.178bn

Effects:

- Investments in railway infrastructure contribute to an increase of trade between the countries and create new routes and transit corridors in Russia.

VEB.RF and Japan Bank for International Cooperation (JBIC) signed a cooperation agreement during the Eastern Economic Forum in Vladivostok. The ceremony was held in the presence of Russian President Vladimir Putin and Japanese Prime Minister Shinzo Abe. The agreement aims to support the development of trading and economic relations between

Russia and Japan. The document provides for the joint financing of projects in Russia, with a focus on Eastern Siberia and the Far East and on trade contracts between Russian and Japanese companies. The document sets out the industry priorities. The agreement lists several industry priorities, primarily projects related to waste management, water treatment, transport, renewable energy, and agriculture.

In 2018, the Advisory Committee of the Japanese Project Promotion Vehicle in the Far East was established to attract Japanese investment in advanced development zones and Free Port of Vladivostok. The meeting resulted in establishing the strategic priorities of cooperation. Furthermore, a cooperation agreement providing, inter alia, for joint project financing in the local currencies was signed with Japanese counterparties in the reporting year.

Multiple initiatives were also implemented in the Middle East. In 2018, VEB.RF examined the possibilities of borrowing from the Asia-Pacific and Middle East debt markets in the form of:

- bilateral and syndicated untied loans from Chinese lenders;
- bond issues in local currencies as an alternative source of borrowing.

VEB.RF views relations with countries of the Organisation of Islamic Cooperation as a strategic priority. In order to expand its relations with regional investors and organise support for Russian exports to the Middle East, VEB.RF opened a representative office in Abu Dhabi, UAE, in May 2018.

In 2018, VEB.RF continued to maintain active relations with its traditional partners across several international platforms, from discussing issues of sustainable development at the International Development Finance Club (IDFC) to preparing guidelines for governments in the D20 community of development banks.



BRICS INTERBANK COOPERATION

VEB.RF, the Brazilian Development Bank (BNDES), Exim Bank of India, China Development Bank (CDB) and the Development Bank of Southern Africa (DBSA) signed a memorandum during the 10th BRICS Summit in Johannesburg, South Africa, to jointly examine the possibilities of using distributed ledger technology for digital economy development. In accordance with the document, the parties will jointly examine whether

distributed ledger technology can be used in their interests.

VEB.RF also cooperates with the BRICS development banks in a whole variety of other areas: analytics and macroeconomic studies, promotion of lending in national currency, innovation, establishment of a BRICS rating agency. The joint efforts open up new opportunities for Russian exporters, major infrastructure project operators, and borrowers. The memorandum will enable the BRICS development banks to press ahead with the potential introduction of innovative technologies useful for the creation and optimisation of bank and financial products. The memorandum also provides for setting up a task force to investigate how distributed ledger technology can be used for the development banks.

INTERBANK ASSOCIATION OF THE SHANGHAI COOPERATION ORGANISATION (SCO IBA)

VEB.RF took part in the 14th meeting of the SCO IBA's Council in Beijing, China, on 6 June 2018. The meeting granted SCO IBA member bank status to Habib Bank Limited.

The parties highlighted the importance of the SCO IBA's strategic expansion and the SCO IBA's development to enhance cooperation among the member banks.

The SCO IBA member banks came to a conclusion that promoting their cooperation with international financial institutions would foster the regional economic development and enhance the SCO IBA's international image. In addition, the participants expressed their readiness to participate actively in financing for the Belt and Road Initiative's projects on the principles of equality and mutual benefit.

FINANCIAL INSTITUTIONS WITH A DEVELOPMENT OR PUBLIC MANDATE (D20)

In September 2018, VEB.RF took part in the 6th meeting of the heads of G20 financial institutions in Buenos Aires (D20). The meeting resulted in a joint statement on promoting infrastructure as an asset class. The statement was presented as a recommendation to G20 leaders.

VEB.RF also took part in the D20 Annual Conference and Forum organised by the Argentinian Development Bank (BICE) about the global role of development banks. The forum brought together executives from international and national development banks and local business and financial communities. The forum highlighted the role of banks in private capital raising, equity multiplier creation, and financing for long-term and social impact projects. The participants had in-depth discussions about development banks' experience in providing financing for infrastructure, green projects and innovations.

LONG-TERM INVESTORS CLUB (LTIC)

In 2018, VEB.RF participated in the Annual Meeting of the LTIC

members. The meeting took place in Buenos Aires along with the D20 meeting. The participants heard LTIC's annual results, a performance report from the working group on infrastructure, and the member banks' presentations on innovative financing instruments and discussed the new association strategy.

VEB.RF discussed best practices in financing provided by LTIC member banks for infrastructure projects as part of the business mission to Rabat, Morocco.

INTERNATIONAL DEVELOPMENT FINANCE CLUB (IDFC)

In 2018, VEB.RF participated in IDFC's landmark events traditionally focusing on sustainable development, climate change, environmental protection, energy efficiency, urban environment development, and innovation.

The IDFC Annual Meeting discussed a wide range of issues, including extensive efforts to promote IDFC as a leading international association of national and regional development banks working together to implement the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

VEB.RF heads IDFC's working group established in 2016 to deal with access to financing/project preparation. Together with other IDFC members, VEB.RF carries out studies to develop competencies in project preparation. VEB.RF presented the interim results of the studies at IDFC's Annual Meeting in October 2018 in Bali, Indonesia.

VEB.RF participated in the session on a joint report of OECD, IDFC and the Center for Global Development (CGD) on the leading contribution made by development banks to the implementation of the Sustainable Development Goals and mobilising private equity. Traditionally, VEB.RF also contributed to the IDFC Green Finance Mapping Report 2017. The report shows that the IDFC members' contribution to green finance grows year by year. It is safe to state that development institutions are the major drivers of achieving the Sustainable Development Goals.

NORTH-EAST ASIA EXPORT-IMPORT BANKS ASSOCIATION

VEB.RF participated in events organised by the Greater Tumen Initiative (GTI) Consultative Commission (CC) and the North-East Asia Export-Import Banks Association in June 2018 in Mongolia. During the Annual Meeting, the member banks exchanged opinions on ongoing projects and confirmed their intention to continue searching for multilateral projects in the members countries for joint financing from the members of the Association.

LATIN AMERICAN ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS (ALIDE)

VEB.RF participated in the ALIDE General Assembly in June 2018. VEB.RF traditionally maintains close relations with Latin American development banks to promote Russian exports and share best practices in financing for development projects.

7.8. Involvement in the UN Global Compact

As the national development institution, VEB.RF places a particular emphasis on promoting sustainability principles and best corporate social responsibility practices across the Russian business community. The efforts in this area are primarily applied within VEB.RF's involvement in the United Nations Global Compact (UNGC), the largest international initiative of the United Nations Organisation on corporate social responsibility and sustainability, which has brought together over 13,000 members from across 170 countries. VEB.RF joined the UNGC in 2011.



“Membership of this prestigious club has become a kind of hallmark of companies and organisations, showing their international reputation and providing access to equitable communication with leading global partners.”

*Sergey Lavrov
Minister of Foreign Affairs of the Russian Federation*

VEB.RF has the status of a UNGC Participant, which is assigned to large companies that are successful leaders in their countries and have experience of operating under the Global Compact umbrella. The status of a Participant demonstrates the company's outstanding achievements in sustainability and social and environmental responsibility, as well as its ambitious plans to improve continuously. A Participant is provided with access to all internal resources and thematic platforms of the Global Compact and can participate in all events of the Global Compact and other UN programmes at different levels and use the UNGC Participant logotype, UNGC's expertise and knowledge base etc.

During the 73rd session of the UN General Assembly in New York in September 2018, a representative of VEB.RF presented a report at a high-level meeting on financing the Agenda for Sustainable Development at the UN headquarters. The report described VEB.RF's contribution to achieving the UN Sustainable Development Goals.



During the period under review, VEB.RF was actively involved in events organised and held with the participation of the UN Global Compact.

VEB.RF also took part in the final press conference on the 70th anniversary of the UN in Russia and the 10th anniversary of UN Global Compact Network Russia, the discussion session Sustainable Development. Role of Russia. Presentation of Topical SDGs Research Projects, and other events.

7.9. Customer-Focused Practices








To improve the quality of services provided, most of the VEB.RF Group's entities take measures to assess customer and partner satisfaction on a regular basis.

In 2019 VEB.RF carried out a customer satisfaction survey on VEB.RF's services and products provided in 2018. The survey covering 65 customers showed that 95% of the respondents would recommend VEB.RF's services to their business partners.

Customer and partner satisfaction surveys result in the necessary changes being made to the VEB.RF Group's current operations (procedures, business-processes, tariffs etc).

Some companies of the Group have in-house procedures in place to govern customer satisfaction surveys. To assess the customer satisfaction level, media publications are also being monitored. Furthermore, the customers' suggestions and proposals are being reviewed in the normal course of business. Based on the survey, the average customer satisfaction level across the VEB.RF Group in 2018 ranged from 50% to 90%.




CUSTOMER SATISFACTION ASSESSMENT MECHANISMS

-  Surveys
-  Interviews
-  Focus groups
-  Mystery shopping
-  One-on-one meetings
-  Hotlines
-  Feedback on the corporate website









CUSTOMER SATISFACTION ASSESSMENT AT THE VEB.RF GROUP IN 2018

The majority of the VEB.RF Group's companies use dedicated communication channels to handle customer and partner complaints. All complaints are examined in a mandatory manner. If a complaint proves to be justified, the violating employee is held liable accordingly. To the fullest extent possible, the VEB.RF Group's companies inform complainants about the results of investigations. In order to enhance customer service, some companies organise training for their employees and provide top management with summarised complaint information.

MAIN CUSTOMER COMPLAINT MECHANISMS

-  E-mail
-  Post
-  Telephone
-  Corporate website

CUSTOMER SATISFACTION ASSESSMENT AT THE VEB.RF GROUP IN 2018

VEB.RF Group's Entities	Corporate Entities	SMEs	Individuals
VEB.RF	1 complaint (including other mechanisms)	N/A	N/A
Sviaz-Bank	 64 complaints	 188 complaints	 8878 complaints
Bank BelVEB	 8 complaints	-	 208 complaints
Prominvestbank	-	-	 900 complaints
REC Group	4 complaints	 54 complaints (including other mechanisms)	3 complaints (including other mechanisms)
VEB-Leasing	 51 complaints	148 complaints	N/A
VEB Capital	2 complaints (including other mechanisms)	N/A	N/A

SUBSIDIARIES' CUSTOMER SERVICE

SVIAZ-BANK

Sviaz-Bank worked in 2018 to increase market capitalisation, diversify operations and expand its customer base. A landmark in 2018 was the reorganisation of Sviaz-Bank through a merger with Globexbank.

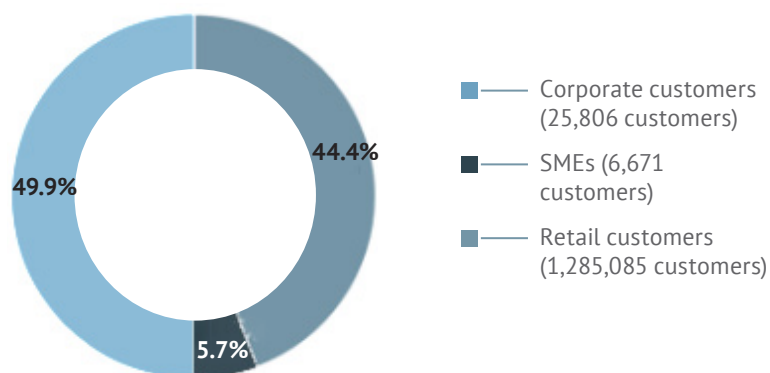
As at 31 December 2018, the capital of Sviaz-Bank in accordance with IFRS requirements (adjusted for a transition to IFRS 9) totalled RUB27.2bn. Net profit in accordance with IFRS was RUB211mn in 2018.

Sviaz-Bank made 1,819 household loans under the Military Mortgage Programme at a reduced rate of 9.8% in 2018, totalling RUB3,207,000,439, which represents 19.23% of the bank's household lending portfolio.



Monetary value of the loan portfolio by customer type as at 31 December 2018

To reduce loan exposure for customers, Sviaz-Bank undertook the



New Year Without Debts initiative with 1,146 debtors repaying RUB39mn worth of overdue principal debt and interest, and the Moments of Spring initiative with 657 debtors repaying RUB22.6mn worth of overdue principal debt and interest. Furthermore, Sviaz-Bank implemented other measures to restructure personal loans. For instance, 448 household loans were restructured and RUB278.3 worth of loans were settled.

Sviaz-Bank won the annual Crystal Headset Award sponsored by Call Center Guru in the Best Application of Technology category. Introduced in 2018, the KMS Lighthouse knowledge base allowed Sviaz-Bank's call centre to improve its customer service by reducing the number of complaints and strengthening customer loyalty. This result was driven by the implementation of a package of measures and new tools such as the KMS knowledge base management system.

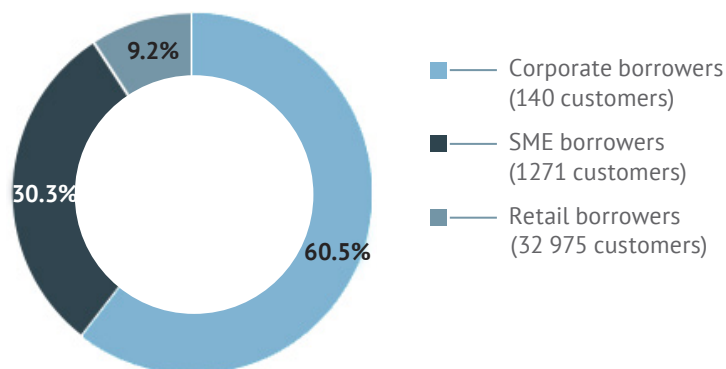
The Novosibirsk-based subsidiary of Sviaz-Bank won the Novosibirsk Mark product, service and technology contest in the Customer Service Package category. The contest was organised by the Novosibirsk City Chamber of Commerce and Industry. The winning companies were put on the Municipal Recognition Board.

Bank BelVEB

In 2018, Bank BelVEB was successful in implementing customers' business initiatives aimed at promoting Belarus-Russia economic relations based on high-technology banking solutions and consistent with best global practices.

In 2018, Bank BelVEB was awarded an honorary certificate as the Lender of the Year 2017 (2nd place) at the Bank of the Year 2017 contest, an honorary certificate from VISA at Visa Premium Forum 2018 for launching the Visa Direct service, and an honorary certificate from VISA for launching the Visa Rewards product.

Monetary value of loan portfolio by borrower
as of 31 December 2018



Bank BelVEB focuses on building a high-technology bank through the use of customer-focused advanced banking technology in order to become a leader among banks developing digital business in Belarus. The survey published by Infobank.by on 12 February 2018 shows that the desktop version of Bank BelVEB's online banking application of ranks second among Belarusian banks. In May 2018, Bank BelVEB's website won the second prize for the Corporate and Thematic Website at a competition for the best Belarusian online resources held as part of the 25th International Forum on Information and Communication Technology, TIBO 2018.

VTB Bank (Europe) SE gave Bank BelVEB a prestigious STP Award 2018 for the high quality of processing customer payments in euros.

STP is an international standard for point-to-point execution of transactions by a foreign bank without any repair, error, or human intervention.

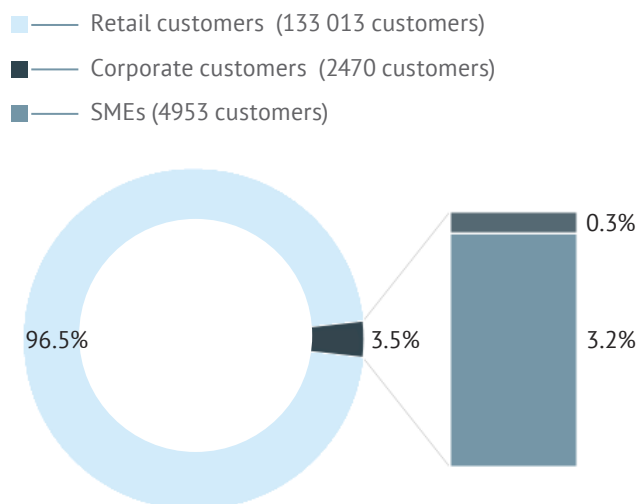
In the reporting year, Bank BelVEB was the winner of Consumer Experience 2018, an annual contest organised by Infobank.by. Bank

BelVEB received four awards:

- Honorary certificate for second place in the Internet Bank 2018 category;
- Honorary certificate for second place in the Internet Bank 2018 category;
- Honorary certificate for second place in the Internet Bank 2018 category;
- Honorary certificate for second place in the Internet Bank 2018 category.



Monetary value of the loan portfolio by customer type as at 31 December 2018



Furthermore, Bank BelVEB won the Bank of the Year 2018 annual award in the Investment Bank 2018 category. The award is sponsored by myfin.by with official support from the Association of Belarusian Banks and advisory support from the National Bank of the Republic of Belarus.

To avoid excessive exposure for borrowers with no overdue debts, Bank BelVEB took certain measures, including deferring principal and/or interest repayment, postponing repayment for up to two years and lowering interest rates specified in loan agreements. Three customers opted in to such measures. Bank BelVEB also offered transaction restructuring options to borrowers with overdue loan debts. 15 customers took up the option, 67% of the overdue indebtedness was fully repaid.

PROMINVESTBANK

In 2018, Prominvestbank focused on fulfilling its financial obligations, ensuring the uninterrupted processing of customers' payments, keeping sufficient funds in correspondent accounts, and repaying distressed debts.

In the reporting year, the bank streamlined its management system and structure, achieved its KPI goals and successfully switched over to the new IFRS 9 standards.

The bank launched several new products in 2018, including smart cards and mobile banking services.

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Expert-Rating reaffirmed the bank's long-term national scale credit rating of uaAA+. Furthermore, Moody's upgraded its long-term global scale credit rating for foreign currency deposits from Caa3 to Caa2 on 28 December 2019, restoring it to the 2013 level.

VEB.RF SUBSIDIARIES' INITIATIVES TO PROVIDE PEOPLE WITH DISABILITIES WITH EASIER ACCESS TO FINANCIAL SERVICES



Financial inclusion for physically handicapped people



✓ Sviaz-Bank
✓ Bank BeVEB

Wheelchair ramps installed at:
18 out of 62 Sviaz-Bank offices (29%)
25 out of 55 Bank BeVEB offices (45.45%)



Financial inclusion for visually impaired people



✓ Sviaz-Bank
✓ Bank BeVEB

Special versions of Bank BeVEB's online banking system and corporate website for visually impaired people



Documents published in several languages; employees able to communicate with customers in foreign



✓ Bank BeVEB

To provide its retail customers with remote services, VEB.RF's subsidiary banks continued to make extensive use of:

- Internet banking;
- Call centre;
- Online Consultant service;
- Feedback forms on corporate websites; electronic mail;
- Mobile apps;
- Instant messaging;
- ATMs and SSTs;
- Self-service systems.

7.10. Charity and Volunteering

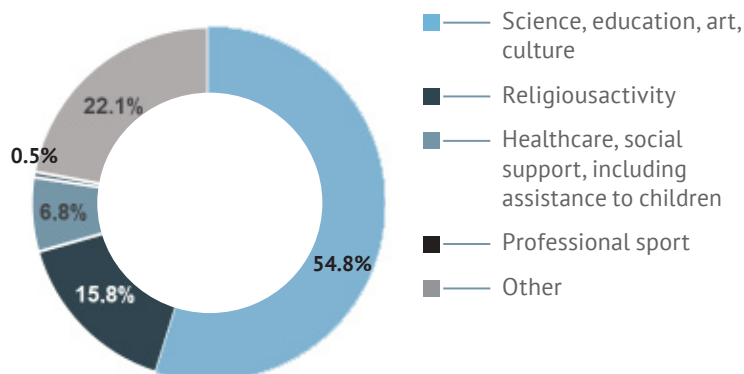
CHARITABLE AND SPONSORSHIP PROJECTS

In December 2017, the Supervisory Board of VEB.RF suspended any sponsorship and charitable activities pending the stabilisation of the company’s financial position. However, the Supervisory Board approved certain sponsorship projects in 2018 as necessary for achieving VEB.RF’s objectives.

In the reporting year, VEB.RF provided support to the St. Petersburg International Economic Forum, the Russian Investment Forum, and the Open Innovations forum. VEB.RF acted as a partner to these landmark

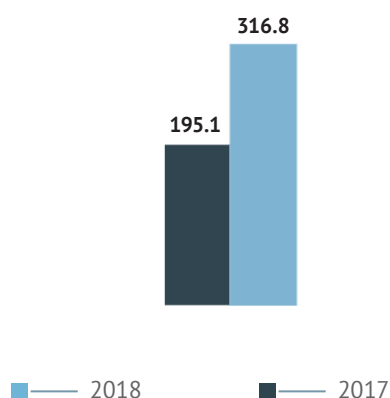


VEB.RF Group's charity in 2018, by area

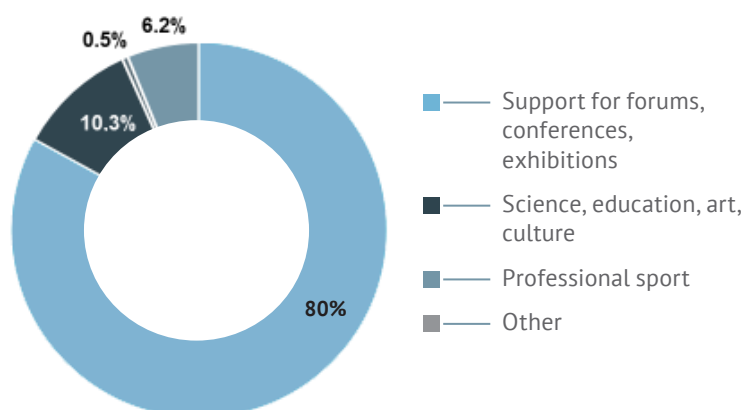


Funds allocated by the VEB.RF Group to charitable projects

RUB mn

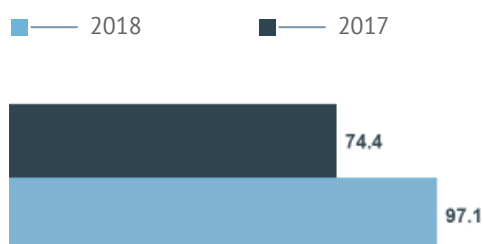


VEB.RF Group's sponsorship in 2018, by area



Funds allocated by the VEB.RF Group to sponsorship projects

RUB mn



events contributing to a better investment climate in the country.

In 2018, several entities of the VEB.RF Group were involved in charity and sponsorship as part of their own projects and initiatives.

VEB CAPITAL: CHILDREN'S NEW YEAR CARNIVAL

To celebrate the beginning of a new year, VEB Capital organised a children's carnival, New Year in Wonderland, at the Novinsky Shopping Mall. The event was attended by more than 200 children of Moscow residents and visitors.



The participants took part in thematic master classes, played interactive games, met with characters from fairy tales, and were given sweets. Each child received a personal gift from the organisers.

FEDF: FAR EAST STREET

FEDF donated RUB 5 million to a not-for-profit organisation, Far Eastern Development Fund, to co-finance the Far East Street event as part of the Eastern Economic Forum in 2018. The exhibition of Far Eastern economic achievements, promising investment projects, cultural and ethnic traditions was attended by about 70,000 visitors.

REC GROUP: ASSISTANCE TO THE I AM A DREAMER FOUNDATION

The REC Group organised a fundraising event to enable the I Am a Dreamer Foundation to purchase a rehabilitation bicycle for ICP children. Employees donated 50,000 roubles, the rest of the amount was provided by the REC Group.

FEDF AND REC: SPONSORSHIP FOR THE FAR EAST DAYS FESTIVAL

In 2018, FEDF and REC provided support for the Far East Days Festival in Moscow. In 2018, FEDF and REC provided support for the Far East Days

Festival in Moscow. The festival included a business programme dealing with education, breakthrough technologies, digital economy, urban development, and culture. The festival also featured workshops and a

Sviaz-Bank: Assistance to the Danilov Monastery (Moscow Patriarchate, Russian Orthodox Church)

hands-on classes for young participants. The Far East Days Festival was organised by the Executive Office of the Plenipotentiary Representative of the President of the Russian Federation in the Far Eastern Federal District in cooperation with the Ministry for the Development of the Russian Far East.

FEDF: SPONSORSHIP FOR THE SAVE THE FAR EASTERN TIGER PROGRAMME

In 2018, FEDF jointly with Amur Tiger Center carried out a project to promote environmental protection, environmental education, regional ecosystem development and preserve and increase the Amur tiger's population. The Amur Tiger Center is a not-for-profit organisation founded by the Russian Geographic Society as recommended by Russian President Vladimir Putin to conduct studies of the Amur tiger and to preserve and increase its population

CORPORATE VOLUNTEERING

VEB.RF and the Enjoyable Aging Charity Foundation launched the Dreams Have No Age charitable project in 2016. The initiative is an integral part of VEB.RF's corporate volunteering and social responsibility concept. It is based on charity, philanthropy, and employees' engagement in community service. The Volunteering Development Concept approved by the Russian Government's Resolution No. 2950-r of 27 December 2018 views methodological, information, advisory, educational, and resource support to social welfare, educational, and healthcare institutions as a volunteering priority.

In 2018, the VEB.RF Group and the Enjoyable Aging Charity Foundation continued to carry out the joint volunteer project to provide targeted assistance to retirement and nursing homes located in:

- Dubna, Tula Region;
- Vyshny Volochyok, Tver Region;
- Ostashovo, Moscow Region (nursing care department of the Ostashovo Hospital);
- Mikhailov, Ryazan Region;
- Mosalsk, Kaluga Region.

More than half their residents are bedridden. On a regular basis, VEB.



RF's employees provide medical rehabilitation and care products, such as wheelchairs, portable toilets, walking frames, bedclothes, absorbent briefs, hygiene products, food, books, electronics and sports equipment. In 2018, employees of VEB.RF and the Group's entities organised eight corporate volunteer trips. VEB.RF held a charitable event to collect New Year presents for residents of retirement homes.

Results of the Dreams Have No Age Project in 2018

— **More than 200 employees** of the VEB.RF Group participated in the Project;

— Volunteers collected over **RUB3.59mn** in donations;

— **Eight corporate volunteer events** and trips were organised.

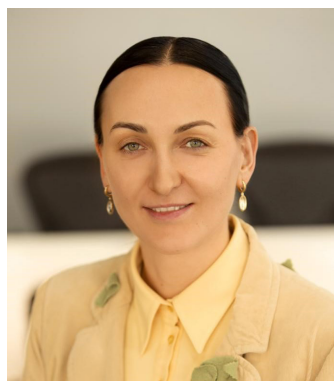
The retirement homes received medical rehabilitation equipment and care products

Volunteers prepared and gave more than 300 New Year presents

— Employees of VEB.RF and InfraVEB visited the Mikhailov nursing home in the Ryazan Region to celebrate New Year and give more than RUB200,000 worth of presents to the residents. First Deputy Chairman of VEB.RF Nikolay Tsekomskiy made a personal contribution to the renovation of the local department for bedridden and low-mobility patients.

— Employees of VEB.RF and InfraVEB visited the Mikhailov nursing home in the Ryazan Region to celebrate New Year and give more than RUB200,000 worth of presents to the residents. First Deputy Chairman of VEB.RF Nikolay Tsekomskiy made a personal contribution to the renovation of the local department for bedridden and low-mobility patients.

— • With support from the Enjoyable Aging Charity Foundation, VEB-Leasing expanded the list of patronised retirement homes under a charitable project. During the year, 1,500 elderly people received assistance. The campaign included 24 trips to 17 cities,



“As volunteers, we saw retirement homes, and frankly, many changes are needed. Working together, the government and private business will be able to use economies of scale to provide the elderly with decent living conditions without additional public spending.”

*Svetlana Yachevskaya
Deputy Chairperson and Member of the Management Board,
Head of Internal Control, VEB.RF*

such as Saint Petersburg, Barnaul, Irkutsk, Ufa, Volgograd, Voronezh, Moscow, Novosibirsk, Arkhangelsk, Omsk, Naberezhnye Chelny, Tambov, Belgorod, Nizhni Novgorod, Tula, Yaroslavl, and Krasnodar. Employees also took part in the 160 Letters initiative and the Sweet Delights initiative, writing personal letters to residents of the Klimovsk nursing home and buying them marshmallows.

NEW YEAR CELEBRATIONS AT THE MIKHAILOVSKY RETIREMENT HOME

VEB.RF concluded the National Volunteer Year by visiting the Dubna nursing home for elderly or disabled people in the Tula Region. The facility provides care for 305 residents of different ages and health status. Among them are those who are alone, couples and disabled people. But all of them equally need care and attention.

VEB.RF prepared 80 boxes of care products, sweets and fruit. Volunteers talked to the residents, gave presents and sang songs to them. It was a special day for the nursing home and a real holiday for many of the elderly.

VEB CAPITAL, REC GROUP, FEDF AND VEB-LEASING: ASSISTANCE TO CHILDREN

— VEB Capital employees collected 297 toys for children receiving treatment at the Dmitry Rogachev National Research Centre of Pediatric Hematology, Oncology and Immunology.

— The REC Group collected stationery intended for students at the Sosensky Boarding School to begin the new school year.

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VEB.RF AND VEB-LEASING: BLOOD DONATION

— VEB.RF and VEB-Leasing: Blood Donation.

— 37 employees of VEB-Leasing took part in three blood donation events with 48 donations and 21.6 litres of blood..

VEB-LEASING: ASSISTANCE TO A COLLEAGUE AND THE CHARITY CLOTHES EVENT

— VEB-Leasing employees donated RUB500,787.5 to pay for medical care for a son of their colleague. The donations were used to buy expensive medications.



VEB.RF Group non-financial report 2018

— VEB-Leasing employees donated RUB500,787.5 to pay for medical care for a son of their colleague. The donations were used to buy expensive medications.

VEB.RF GROUP: PARTICIPATION IN THE IMMORTAL REGIMENT PROCESSION ON 9 MAY

A traditional area of the corporate volunteer movement includes the participation of the VEB.RF Group's employees and their family members in the annual international event, the Immortal Regiment procession, held on 9 May (Victory Day).





RESPONSIBLE BUSINESS PRACTICES

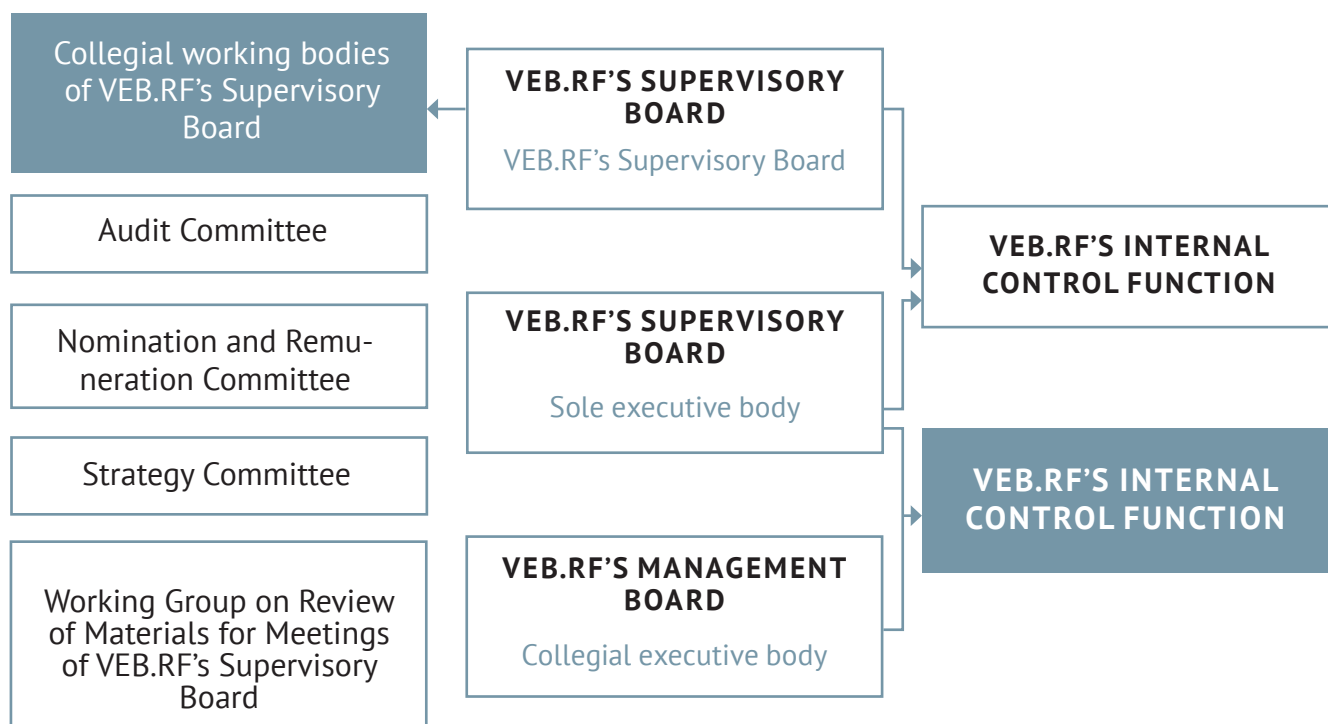


8.1 Corporate Governance

Due to VEB.RF's special status, its corporate governance system is regulated by Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended), the Memorandum on Financial Policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" approved by the Russian Government's Resolution No. 1510-r¹⁶ (as amended), and regulatory documents applicable to VEB.RF's collegial bodies. VEB.RF builds its corporate governance system drawing on the best national and international standards and practices.

VEB.RF's governing bodies consist of VEB.RF's Supervisory Board and VEB.RF's Management Board, which operate within the mandate of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended). To upgrade and enhance corporate governance within VEB.RF and across the Group's companies, VEB.RF established a new collegial working body and adjusted the powers of the existing collegial working bodies in 2018.

Corporate Governance System of VEB.RF



¹⁶ VEB.RF's regulatory documents are posted on its corporate website at: <https://вэб.рф/o-banke/normativno-pravovaya-baza/>

SUPERVISORY BOARD

The supreme governing body of VEB.RF is its Supervisory Board consisting of eight members and VEB.RF's Chairman. VEB.RF's Supervisory Board is chaired by the Prime Minister of the Russian Federation, who is a member of VEB.RF's Supervisory Board by virtue of his/her position.

The members of the Supervisory Board are appointed by the Russian

Members of VEB.RF's Supervisory Board in 2018

1 January–29 May 2018	29 May–31 December 2018
Dmitry Medvedev Chairman of VEB.RF's Supervisory Board, Prime Minister of the Russian Federation	
Andrei Belousov Member of VEB.RF's Supervisory Board, Aide to the President of the Russian Federation	
Dmitry Kozak Member of VEB.RF's Supervisory Board, Deputy Prime Minister of the Russian Federation	
Maxim Oreshkin Member of VEB.RF's Supervisory Board, Minister of Economic Development of the Russian Federation	
Anton Siluanova^a Member of VEB.RF's Supervisory Board, First Deputy Prime Minister and Minister of Finance of the Russian Federation	
Igor Shuvalov^b Member of VEB.RF's Supervisory Board, Chairman of VEB.RF	
Sergey Gorkov Member of VEB.RF's Supervisory Board, Chairman of VEB.RF	Maxim Akimov^d Member of VEB.RF's Supervisory Board, Deputy Prime Minister of the Russian Federation
Arkady Dvorkovich^c Member of VEB.RF's Supervisory Board, Deputy Prime Minister of the Russian Federation	Vitaly Mutko^d Member of VEB.RF's Supervisory Board, Deputy Prime Minister of the Russian Federation
Alexander Khloponin^c Member of VEB.RF's Supervisory Board, Deputy Prime Minister of the Russian Federation	Konstantin Chuychenkod^d Member of VEB.RF's Supervisory Board, Deputy Prime Minister and Chief of the Government Staff of the Russian Federation

^a Ordinance of the Government of the Russian Federation No. 1021-r of 29 May 2018 specified a new position of member of VEB.RF's Supervisory Board Anton Siluanov as First Deputy Prime Minister and Minister of Finance of the Russian Federation.

^b Ordinance of the Government of the Russian Federation No. 1021-r of 29 May 2018 appointed VEB.RF's Chairman Igor Shuvalov as a member of VEB.RF's Supervisory Board by virtue of his position.

^c Ordinance of the Government of the Russian Federation No. 1021-r of 29 May 2018 appointed VEB.RF's Chairman Igor Shuvalov as a member of VEB.RF's Supervisory Board by virtue of his position.

^d Ordinance of the Government of the Russian Federation No. 1021-r of 29 May 2018 appointed VEB.RF's Chairman Igor Shuvalov as a member of VEB.RF's Supervisory Board by virtue of his position.

Government for five to five-year term.

Detailed information on VEB.RF's Supervisory Board is published on the corporate website at: <https://вэб.рф/o-banke/>.

No Remuneration to the Members of VEB.RF's Supervisory Board was Paid in 2017–2018.

MANAGEMENT BOARD

Igor Shuvalov^a

Chairman of VEB.RF

Mikhail Kuzovleva

First Deputy Chairman of VEB.RF, member of the Management Board

Andrei Klepach

Deputy Chairman of VEB.RF (Chief Economist), member of the Management Board

Sergei Lykov

Deputy Chairman, member of the Management Board

Alexey Miroshnichenko^b

Deputy Chairman of VEB.RF, member of the Management Board

Mikhail Poluboyarinov

First Deputy Chairman of VEB.RF, member of the Management Board

Natalya Timakova^c

Deputy Chairperson of VEB.RF, member of the Management Board

Nikolai Tsekhomsky

First Deputy Chairman of VEB.RF, member of the Management Board

Svetlana Yachevskaya^d

Deputy Chairperson and Head of Internal Control of VEB.RF, member of the Management Board

The collegial executive body of VEB.RF is its Management Board. VEB.RF's Management Board comprises VEB.RF's Chairman by virtue of his/her position and members of VEB.RF's Management Board nominated by VEB.RF's Supervisory Board. VEB.RF's Management Board functions under the supervision of VEB.RF's Chairman who is the sole executive body of VEB.RF in charge of its day-to-day operations. VEB.RF's Chairman is appointed by the Russian President as recommended by the Russian

^a VEB.RF's Supervisory Board appointed Mikhail Kuzovlev as VEB.RF's First Deputy Chairman and a member of VEB.RF's Management Board (Minutes No. 7 of 6 June 2018, Item 1).

^b VEB.RF's Supervisory Board appointed Aleksey Miroshnichenko as a member of VEB.RF's Management Board in addition to his other duties (Minutes No. 9 of 9 October 2018, Item 1).

^c VEB.RF's Supervisory Board appointed Natalia Timakova as a member of VEB.RF's Management Board in addition to her other duties (Minutes No. 9 of 9 October 2018, Item 1).

^d VEB.RF's Supervisory Board appointed VEB.RF's Deputy Chairman and member of the Management Board Svetlana Yachevskaya as the Head of VEB.RF's Internal Control in addition to her other duties (Minutes No. 9 of 9 October 2018, Item 2).

Prime Minister for a maximum term of five years.

The following persons ceased to be members of VEB.RF's Management Board in 2018:

Detailed information on VEB.RF's Supervisory Board is published on the corporate website at <https://вэб.рф/о-банке/>.

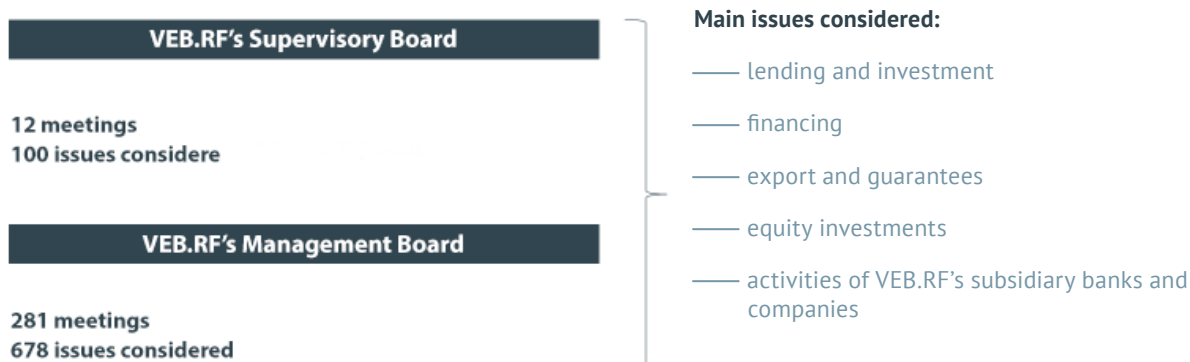
— Alexey Ivanchenko as resolved by VEB.RF's Supervisory Board (MoM No. 9 of 9 October 2018, Item 1).;

— Dmitry Kurdyukov as resolved by VEB.RF's Supervisory Board (MoM No. 7 of 6 June 2018, Item 1).

Remuneration payable to the members of VEB.RF's Management Board is calculated in accordance with the VEB.RF employee compensation plan approved by VEB.RF's Supervisory Board (Minutes of the Meeting No. 1 of 2 March 2017). Subject to the remuneration principles established by the document, VEB.RF's Management Board approves the Regulation on VEB.RF's employee compensation plan and special remuneration for VEB.RF's Management Board.

ACTIVITIES OF VEB.RF'S GOVERNING BODIES IN 2018

The members of VEB.RF's Supervisory Board and Management Board had a 100% attendance rate, except when they were absent on business or on leave.



COLLEGIAL WORKING BODIES OF THE SUPERVISORY BOARD

VEB.RF's Supervisory Board has three committees and a task force to give preliminary consideration to the issues falling within its remit.

AUDIT COMMITTEE

Responsible for assisting VEB.RF's Supervisory Board in effective supervision over VEB.RF's financial and business operations.

MEMBERS:**Anton Siluanov**

First Deputy Prime Minister and Minister of Finance of the Russian Federation,
Chairman of the Committee

Maxim Oreshkin

Minister of Economic Development of the Russian Federation, Deputy Chairman of the
Committee

Andrei Ivanov

Deputy Minister of Finance of the Russian Federation

Igor Shuvalov

Chairman of VEB.RF

Eldar Muslimov

Head of the Executive Office of the Aide to the President of the Russian Federation

Mikhail Poluboyarinov

First Deputy Chairman of VEB.RF, member of the Management Board

Svetlana Yachevskaya

Deputy Chairperson and Head of Internal Control of VEB.RF, member of the Management
Board

NUMBER OF MEETINGS: 3**STRATEGY COMMITTEE**

In charge of formulating and updating VEB.RF's development strategy; responsible for preparing recommendations to ensure efficient strategy implementation, defining indicators/parameters/limits for priority areas of VEB.RF's investment, and monitoring progress in strategy implementation.

MEMBERS:**Andrei Belousov**

Aide to the President of the Russian Federation, Chairman of the Committee

Yevgeny Dietrich

Minister of Transport of the Russian Federation

Dmitry Manturov

Minister of Industry and Trade of the Russian Federation

Maxim Oreshkin

Minister of Economic Development of the Russian Federation

Valery Sidorenko

Deputy Chief of the Government Staff of the Russian Federation

Andrey Ivanov

Deputy Minister of Finance of the Russian Federation

Igor Shuvalov

Chairman of VEB.RF

Yuri Gazaryan

Deputy Chairman of VEB.RF

NUMBER OF MEETINGS: 1**NOMINATION AND REMUNERATION COMMITTEE**

Responsible for providing assistance and recommendations to VEB.RF's Supervisory Board in relation to HR and remuneration issues regarding VEB.RF's Chairman, members of VEB.RF's Management Board, or any other persons as specified in the Committee's regulations, resolved by VEB.RF's Supervisory Board or instructed by the Chairman of VEB.RF's Supervisory Board.

WORKING GROUP ON REVIEW OF MATERIALS FOR MEETINGS OF VEB.RF'S SUPERVISORY BOARD

Responsible for coordinating the agendas of meetings of the

VEB.RF Group non-financial report 2018

MEMBERS:**Maxim Oreshkin**

Minister of Economic Development of the Russian Federation, Chairman of the Committee

Andrey Ivanov

Deputy Minister of Finance of the Russian Federation

Alexey Ivanchenko

Deputy Chairman of VEB.RF

Valery Moskvitin

Deputy Head of the Secretariat of the Deputy Prime Minister of the Russian Federation

Eldar Muslimov

Head of the Executive Office of the Aide to the President of the Russian Federation

Andrei Chesnokov

Deputy Head of the Secretariat of the Deputy Prime Minister of the Russian Federation

NUMBER OF MEETINGS: 9

Supervisory Board, examining different opinions on agenda issues, and providing recommendations to VEB.RF's Management Board regarding the refinement of agenda issues and the appropriateness of submitting them for consideration by the Supervisory Board.

The committees are VEB.RF's collegial deliberative bodies without the authority of governing bodies. The committees provide VEB.RF's Supervisory Board with opinions and recommendations and take any other decisions within their remit. Composition and operating procedures of the committees are decided on by VEB.RF's Supervisory Board. The committees operate in compliance with the Regulations on Committees.

MEMBERS:**Maxim Akimov**

Deputy Prime Minister of the Russian Federation, Head of the Working Group

Valery Sidorenko

Deputy Chief of the Government Staff of the Russian Federation, Deputy Head of the Working Group

Yuri Gazaryan

Deputy Chairman of VEB.RF

Andrey Ivanov

Deputy Minister of Finance of the Russian Federation

Maxim Kononenko

Deputy Head of the Secretariat of the Deputy Prime Minister of the Russian Federation

Dmitry Lavrov

Assistant to the Deputy Prime Minister and Chief of the Government Staff of the Russian Federation

Valery Moskvitin

Deputy Head of the Secretariat of the Deputy Prime Minister of the Russian Federation

Eldar Muslimov

Head of the Executive Office of the Aide to the President of the Russian Federation

Mikhail Poluboyarinov

First Deputy Chairman of VEB.RF, member of the Management Board

Anton Semenyuk

Deputy Head of the Secretariat of the First Deputy Prime Minister and Minister of Finance of the Russian Federation

Ilya Torosov

Deputy Minister of Economic Development of the Russian Federation

Nikolai Tsekhomsky

First Deputy Chairman of VEB.RF, member of the Management Board

Andrei Chesnokov

Deputy Head of the Secretariat of the Deputy Prime Minister of the Russian Federation

NUMBER OF MEETINGS: 15

COLLEGIAL WORKING BODIES OF VEB.RF

VEB.RF's collegial working bodies are established by VEB.RF's Management Board and VEB.RF's Chairman in order to preliminary address, gather material for and decide on, the issues falling within the remit of VEB.RF's executive governing bodies that determine the operating procedure and composition of the collegial working bodies.

AUDIT

Responsibility for VEB.RF's internal audit lies with VEB.RF's internal control function (ICF), a separate unit reporting to VEB.RF's Supervisory Board and directly subordinate to VEB.RF's Chairman. This ensures independent and efficient performance by the ICF of its controlling functions. In 2018, VEB.RF's Supervisory Board considered quarterly

Steering Committee

KEY FUNCTIONS:

Improve governance efficiency and coordinate activities of VEB.RF's separate divisions and officers; ensure appropriate managerial decisions on strategic and institutional development and business planning; formulate basic business policies and operational procedures

Investment Development Committee

KEY FUNCTIONS:

Review projects after preliminary due diligence in accordance with the due diligence procedure for VEB.RF's projects; review VEB.RF's report on compliance with the Regulations on the Development, Selection, Delivery and Monitoring of Projects for the Implementation of Action Plans (Road Maps) of the National Technology Initiative; consider the project's eligibility for the Project Financing Factory.

Financial Committee (established in 2018)

KEY FUNCTIONS:

Provide opinions and recommendations to VEB.RF's governing bodies regarding VEB.RF's planning and financial control, management of assets and liabilities, management of interest rate, currency, market and liquidity risks, and break-even performance

VEB.RF Group Security Committee

KEY FUNCTIONS:

Assist VEB.RF's governing bodies and subsidiaries in ensuring the VEB.RF Group's stable operation and sustained development amid external and internal threats/

Risk Management Committee

KEY FUNCTIONS:

Assist VEB.RF's governing bodies in risk management at VEB.RF and its entities.

Business Continuity Management Committee

KEY FUNCTIONS:

Improve VEB.RF's business resilience and continuity management efficiency

Credit Committee

KEY FUNCTIONS:

Review proposals from VEB.RF's separate divisions and decide on transactions (operations) connected with the acquisition, disposal or possible disposal by VEB.RF of its assets with credit risk and/or related to equity investments, including transactions (operations) requiring approval (consent) from VEB.RF's Management Board or Supervisory Board.

Distressed Asset Management Committee

KEY FUNCTIONS:

Organise VEB.RF's systematic and efficient measures to deal with bad debts and distressed assets; enhance the efficiency and quality of settlement procedures for bad debts and distressed assets; make recommendations to VEB.RF's governing bodies for approving transactions designed to settle bad debts and manage distressed asset.

Subcommittee on Proactive Response to Debtors' Insolvency (Bankruptcy)

KEY FUNCTIONS:

Make a list of self-regulatory organisations of official receivers to be selected by the Committee and submitted for consideration by the creditors' meeting and for subsequent approval by the court; include a self-regulatory organisation of official receivers on or exclude it (temporarily or permanently) from the list; define the position on agenda issues for the creditors' meeting; respond quickly to other issues arising out of insolvency (bankruptcy) proceedings.

Subsidiary and Affiliate Management Committee

KEY FUNCTIONS:

Give comprehensive consideration to and take decisions on activities of VEB.RF's subsidiaries.

Process and Technology Management Committee**KEY FUNCTIONS:**

Devise and implement unified approaches and principles for VEB.RF's project management; improve VEB.RF's business processes; implement up-to-date IT processes.

Strategic Development Committee**KEY FUNCTIONS:**

Consider issues related to VEB.RF's strategic development; assist VEB.RF's Management Board in taking justified and effective strategic decisions aimed at enhancing VEB.RF's long-term performance

Working Group for Coordination of Public Borrowings by Subsidiary Banks and Companies**KEY FUNCTIONS:**

Support VEB.RF's subsidiaries and companies by preparing opinions and recommendations in respect of their borrowings and by determining the key parameters of such borrowings.

Working Group for Coordination of Liquidity and Risk Management at Subsidiary Banks and Financial Companies**KEY FUNCTIONS:**

Coordinate the VEB.RF Group's activities to manage liquidity and risks across the VEB.RF Group; ensure the VEB.RF Group's efficient management of assets, liabilities and risks

reports of the ICF on a regular basis.

In the reporting year, the Supervisory Board addressed the following issues related internal control:

- Consideration of the ICF's quarterly reports;
- Approval of the bidding procedure to select the auditor and approval of the auditor for an annual statutory audit of VEB.RF's annual financial statements;
- Approval of the Regulations on the Audit Committee of VEB.RF's Supervisory Board;
- Appointment of the Head of Internal Control and amendments to the Regulation on Internal Control;
- Approval of the Regulation on Internal Control;
- Consideration of the controller of securities market's reports and the executive responsible officer's reports on internal audit aiming to prevent insider information misuse and market manipulation.

In 2018, a RUB7.5mn contract to audit VEB.RF's financial statements was awarded to Ernst & Young.

DEVELOPING THE CORPORATE GOVERNANCE SYSTEM

Seeking to streamline its collegial working bodies structure, VEB.RF in 2018 abolished the Budget Committee and the Assets/Liabilities Management Committee, and established the Financial Committee of VEB.RF. Furthermore, VEB.RF made adjustments to the remit of the existing collegial working bodies. VEB.RF intends to continue its efforts to transform and further upgrade its corporate governance system in 2019.

8.2. Managing VEB.RF's Entities

One of VEB.RF's functions is to identify key focus areas and priorities for VEB.RF's entities, formulate the risk and idle cash (liquidity) management policy, and provide financial and guarantee support to VEB.RF's entities.

The Policy outlines the key goals, objectives, principles, and mechanisms of managing VEB.RF's entities, defines the focus areas for functional management and distributes management responsibilities among VEB.RF's units.

MANAGEMENT GOALS IN RESPECT OF VEB.RF'S ENTITIES:

- Enhance control of the performance of VEB.RF's entities;
- Reduce costs by sharing resources;
- Ingrate functions, including optimising risk, liquidity, HR, process and technology management;
- Achieve synergies and spread best practices and knowledge;

VEB.RF approved the Policy for Managing Legal Entities (the 'Policy') intended to improve the management and supervision of their activities.

- Introduce improved performance practices and result-based management into VEB.RF's entities.

MANAGEMENT PRINCIPLES IN RESPECT OF VEB.RF'S ENTITIES:

- Centralised functional management ;
- Process management;
- Mentorship.

MANAGEMENT OBJECTIVES IN RESPECT OF VEB.RF'S ENTITIES:

- Control and optimise financial costs and OPEX;
- Introduce a uniform governance standard into VEB.RF's entities;
- Build the functional management of VEB.RF's entities;
- Establish mechanisms and channels of internal communication between the VEB.RF Group and VEB.RF in order to enable VEB.RF's entities to develop efficiently;
- Coordinate work on identifying and spreading best practices,

promote initiatives to share experience/knowledge, achieve business synergies between the VEB.RF Group's entities and VEB.RF;

- Help to formulate strategies, key goals, main focus areas and priorities of VEB.RF's entities;
- Help to implement the uniform rules of risk, liquidity and funding management and a uniform management accounting methodology .

The principle of centralised functional management establishes centralised management of the VEB.RF Group's entities by VEB.RF through building functional management across the following key focus areas: strategy, corporate governance, finance, business, accounting, treasury, legal support, security, risks, distressed asset management, personnel management, internal control, compliance, procurement, public relations, operations, information technology, and general and administration support.

Functional management is provided by the relevant unit at VEB.RF.

The principle of supervisory control establishes that VEB.RF issues an order to assign a standalone business unit responsible for ensuring the application of the Policy, coordination between functions, and other processes outlined by the Policy and other documents of VEB.RF adopted in pursuance of the Policy.

The processes of strategic planning, business planning, and goal-setting for VEB.RF's entities and heads of VEB.RF's entities as well as the process for following up the achievement of the goals include the following key stages:

- 1) preparation by VEB.RF's entities of draft strategies and business plans, key performance indicators (KPI)/performance targets for VEB.RF's organisation and/or head of VEB.RF's entity, progress reports on business plans, and KPI/performance targets of VEB.RF's entity and/or head of VEB.RF's entity;
- 2) review of draft strategies and business plans, KPIs/performance targets of VEB.RF's entity and/or head of VEB.RF's entity, and related progress reports by collegiate working bodies of VEB.RF (Committee for Management of Subsidiaries and Controlled Entities, Financial Committee) and, where necessary, by authorised governing bodies of VEB.RF;
- 3) approval of the above documents by authorised governing bodies of VEB.RF's entities.

8.3 Risk Management

VEB.RF Group's risk management system¹⁷ is based on the principles of process consistency and continuity and represents a package of methodological, organisational and IT-related measures ensuring financial stability across the VEB.RF Group. The major risk management goals, objectives, principles and procedures are outlined in the VEB.RF Group's Risk Management Policy. The Policy provides for ongoing risk identification, assessment, monitoring, and mitigation.

Responsibility for cumulative risk management across the VEB.RF Group lies with the governing and collegial working bodies of VEB.RF: VEB.RF's Supervisory Board, Management Board, Business Continuity Management Committee, Financial Committee, and Risk Management Committee. The Risk Management Unit coordinates risk management at the VEB.RF Group.

Responsibility for cumulative risk management across the VEB.RF Group lies with the governing and collegial working bodies of VEB.RF: VEB.RF's Supervisory Board, Management Board, Business Continuity Management Committee, Financial Committee, and Risk Management Committee. The Risk Management Unit coordinates risk management at the VEB.RF Group.

Requirements, policies, standards and limits approved by VEB.RF's collegial bodies are then implemented in compliance with the decisions taken by the governing bodies of the VEB.RF Group's entities. Main regulations applicable to risk management at the VEB.RF Group's entities require prior approval by VEB.RF's units.

VEB.RF's Strategy provides for a significant reinforcement of the risk management function across the VEB.RF Group with due regard for VEB.RF's mission of a development institution.

In 2018, VEB.RF consistently worked on boosting its risk management system as a crucial element in VEB.RF's business model. For instance, VEB.RF established a uniform due diligence procedure for projects based on the type of exposure: to a project (project finance) or to a counterparty's day-to-day operations.

VEB.RF GROUP'S RISK MANAGEMENT SYSTEM: PRIORITY DEVELOPMENT AREAS

- VEB.RF Group's uniform risk management system, including the coordination of risk management decisions, the introduction of a uniform methodology and end-to-end processes of the VEB.RF Group's companies as part of the new business model
- VEB.RF's uniform project management process, including the standardised evaluation, monitoring, control, early detection of

¹⁷A detailed description of the VEB.RF Group's risk management system can be found in VEB.RF's 2018 IFRS financial statements published on VEB.RF's corporate website.

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bad debts, and risk management

- Uniform system of limits for borrowers and groups of related borrowers.
- Improvement of the risk appetite approach for key indicators; introduction of advanced risk metrics.
- Improvement of the approach to structural, market and counterparty risks (risk assessment, risk limiting, automation).
- Automation of the evaluation and modelling of counterparties' financial standing for purposes of risk management.

MEASURES TAKEN IN 2018 TO ENHANCE THE VEB GROUP'S RISK MANAGEMENT SYSTEM

METHODOLOGICAL SUPPORT

- Approved:
 - Methodology for Independent Price Verification, Measurement of Fair Value of Financial Instruments;
 - Methodology for Equity Investment Impairment Risk Indicator Calculation for Investment Projects;
 - Methodology for VEB.RF's Available Capital Calculation;
 - Due Diligence Procedure for VEB.RF's Projects;
 - Procedure for VEB.RF's Syndicated Financing;
 - Regulations for Associated Transactions Related to VEB.RF's Project Financing and Participation in VEB.RF's projects.

VEB.RF AND PARTICIPATION IN EVENTS OF VEB.RF

- Updated:
 - Methodology for VEB.RF's Equity (Capital) Calculation;
 - Methodology for VEB.RF's CAR Calculation.
- Improved: Methodology for VEB.RF's Business Continuity Analysis.
- Formulated: Methodology for the Analytical Data Base of VEB.RF's Operational Risk Events (designed to improve the effectiveness of operational risk management and the quality of operational risk data).

RISK MANAGEMENT WITHIN VEB.RF'S BUSINESS MODEL

VEB.RF'S PROJECT FINANCING RISK

- Uniform lending process ensuring the best quality of project analysis and evaluation.
- Project-oriented special monitoring .
- Active deviation management for project implementation.

CREDIT RISK

- Credit risk assessment models factoring in the particularities of project financing, the borrower's profile, and individual features of the project.
- Improvement and automation of the system of risk limits.
- Additional credit risk limits brought into use.

ORGANISATIONAL AND HR MEASURES

- **The Risk Directorate was re-organised and transformed into the Risk Management Unit with an improved organisational structure**
 - **A new list of members of VEB.RF's Risk Management Committee was approved**

RISK-BASED ANALYSIS OF BUSINESS LINES

- **Operational risks of VEB.RF's divisions underwent expert assessment**
- **Operational risk information is collected and examined on a regular basis**

INFORMATION SYSTEMS

- A contract was signed to **create the automated system "Treasury Data Management Centre and Limit Control"**
 - **Due diligence and administration software package for investment projects v. 2 was brought into use**
 - **The on-line selection platform for regional investment projects was enhanced**
 - **VEB.RF's new bank system (Automated Bank System, ABS) and IFRS 9 calculation module are in test operation**
 - **Preparations started for creating a risk manager's financial module designed for credit analysis and data storage**

ENHANCING RISK MANAGEMENT PROCEDURES

- **To introduce the operational risk management standard:**
 - bylaws of VEB.RF's subsidiaries in respect of accession to the standard were approved;
 - plans to introduce the standard into subsidiaries were formulated and approved;
 - milestones for implementing the plans to introduce the standard were included in subsidiaries' 2019 targets .
- **Work is under way on developing approaches to the systematic automation of operational risk management, creating of an automated system of operational risk management, and preparing and launching the system implementation project**
- **Measures are carried out to introduce an automated monitoring system for credit and counterparty risks**

INSTILLING A RISK-BASED CULTURE INTO THE VEB.RF GROUP

- All of VEB.RF's employees received remote training in **collecting information on operational risk events**
- VEB.RF's executives attended a workshop conducted in collaboration with external consultants on **best practices in operational risk management**
- The members of staff involved in **business continuity management and analysis attended a workshop on the relevant topic**

— Government support measures and other credit risk mitigation mechanisms.

— Uniform due diligence procedure for VEB.RF's projects.

— Procedures for the financial monitoring of the borrower.

— Automation of analysis and modelling procedures for counterparties' financial standing.

INDUSTRY-SPECIFIC RISK

— Creation of an industry monitoring system and a system of industry-specific limits.

RISKS ASSOCIATED WITH FINANCIAL SUPPORT FOR PROJECTS

COUNTRY RISK

— Development of expertise in country risk assessment and the updating of country limit calculation.

— Setting of country limits.

SOVEREIGN RISK

Foreign government guarantees and other credit risk mitigation.

- Specialised sovereign risk assessment models and the setting of sovereign credit risk limits.

CREDIT RISK

Financing for foreign buyers and their banks.

- Development of expertise in counterparty assessment in foreign countries.
- Setting of limits and restrictions.

DISTRESSED ASSET MANAGEMENT

Risks associated with asset quality deterioration

Improvement of dealing with distressed assets as one of the VEB.RF Group's key objectives.

- Introduction of the early detection of bad debts and the related preventive measures.
- Strategies to deal with each distressed asset based on the Recovery Rate.
- Deviation identification and management at every project stage.

OPERATIONAL RISK (including legal and compliance risks)

Complexity and scale of VEB.RF's operation.

- Introduction of a proactive systematic approach to operational risk management into VEB.RF, and the VEB.RF Group's standard for operational risk management into VEB.RF's subsidiaries.

LIQUIDITY RISK

Deviation of VEB.RF's liquidity from the expected scenario due to crisis events (debtor's failure to pay, lack of funding opportunities, additional customer attrition etc)

- Development of approaches to the assessment of risk factors that may adversely affect VEB.RF's liquidity; financial planning procedures factoring in liquidity risks.
- Regular monitoring of required and available liquidity; measures to ensure adequate liquidity.
- Transition to the VEB.RF Group's consolidated liquidity management.

CURRENCY RISK

Substantial obligations to foreign lenders, special-purpose projects, and loan impairment/provisioning.

- Improvement of approaches to open FX position evaluation.

- Restructuring of the currency composition of assets and liabilities.
- Development of an evaluation system for financial results and limits.
- Automation of risk management processes.

INTEREST RATE RISK

Mismatch between maturity dates and repricing (rate revision) dates of receivables and obligations.

- Mismatch between maturity dates and repricing (rate revision) dates of receivables and obligations.
- Regular risk monitoring.

MARKET RISK

Risk of a negative revaluation of the securities portfolio (created for idle cash management and liquidity risk management) and the derivatives portfolio (used for borrowing currency transformation).

- Development of a system of limits and restrictions.
- Automation of risk management processes.

COUNTERPARTY RISK

Risk of a counterparty's failure to fulfil its obligations related to financial market operations.

- Development of approaches to risk assessment and a system of limits.
- Regular monitoring of risk exposure and collateral.
- Automation of risk management processes.

8.4. Anti-corruption

The VEB.RF Group and its entities operate in strict compliance with the federal laws, decrees of the Russian President, resolutions of the Russian government, and other anti-corruption legal acts. Furthermore, employees of VEB.RF and the VEB.RF Group's entities perform their office duties with due account for their in-house codes of ethics and conduct, and other internal regulations on anti-corruption.

In order to increase the efficiency of its anti-corruption policy, VEB.RF regularly updates its corporate regulatory framework reflecting changes in federal laws and works to ensure a systematic approach to the implementation of anti-corruption initiatives across the VEB.RF Group's entities.

In 2018, VEB.RF put an increased emphasis on tougher precautionary measures to be able to prevent corruption and other similar offences,

identify the underlying reasons, and eradicate its breeding ground.

Central to the prevention of corruption are awareness raising, counselling, and training VEB.RF's employees in anti-corruption, compliance, and business ethics.

The VEB.RF Group works to promote more robust anti-corruption behaviour among its employees. During the period under review, briefings and awareness raising meetings were held for employees of VEB.RF assigned to positions that require compliance with anti-corruption bans, restrictions, and liabilities set out in Russian laws and internal regulations as well as for applicants to such positions.

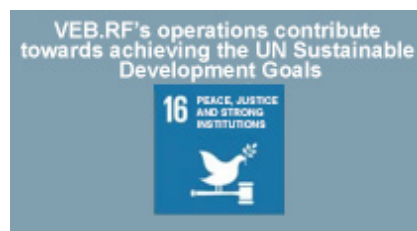
All new hires were introduced to the provisions of Russian anti-corruption laws and relevant internal regulations¹⁸ of VEB.RF as well as underwent a survey on compliance with the restrictions and bans related to working in a state corporation. Each employee of VEB.RF is issued relevant memos.¹⁹

In August 2018, VEB.RF signed an order to approve the Anti-corruption Plan for 2018–2020

In accordance with the requirements of Russian laws and as part of the measures envisaged by VEB.RF's Anti-corruption Plan 2018-2020, VEB.RF in the reporting year collected and reviewed information on income, expenses, property and property liabilities provided by employees of VEB.RF and applicants to positions at VEB.RF (featuring in a relevant list of positions approved by VEB.RF). Information on the financial status of certain employees of VEB.RF occupying executive positions is published on the official website of VEB.RF²⁰ to ensure public access to such information for public supervision.

As part of implementing a range of anti-corruption initiatives, in 2018 VEB.RF performed audits of information provided by its employees for reliability and completeness as well as to follow up their compliance with the requirements to corporate conduct and their expenses (in cases set out in Russian laws). VEB.RF also reviewed information that can imply personal interest of VEB.RF's employees, which can lead to a conflict of interest, as well as organised daily monitoring of the anti-corruption whistleblowing subsection on VEB.RF's official website.²¹

In 2018, VEB.RF adopted additional anti-corruption standards of corporate conduct and included the rules of employees' conduct in VEB.RF's Code of Ethics and Corporate Conduct when interacting with mass media, publishing information online, including in social media, as well as the rules of public conduct for VEB.RF's employees, particularly as related to public speeches and disclosure of corporate information, and the rules for VEB.RF's employees to communicate with other persons during off-work hours. Ethical standards of conduct by employees of VEB.RF were updated.



¹⁸ <http://veb.ru/o-banke/protivodeystviye-korrupsii/normativnye-pravovye-i-inye-akty-v-sfere-protivodeystviya-korrupsii/>.

¹⁹ <http://veb.ru/files/?file=f86187143aee27581ffeb8ba49716580.pdf> <http://veb.ru/files/?file=4f34d85204584eabdb636ac3b88213.pdf>.

As part of ensuring a consistent anti-corruption framework, VEB.RF and its subsidiaries have implemented initiatives to align and adapt the requirements of anti-corruption legislation for the subsidiaries while building a single concept across the VEB.RF Group for implementing the requirements of anti-corruption legislation and taking measures to prevent corruption. In 2018, the Group was engaged in regular interaction with VEB.RF's subsidiaries on implementing the anti-corruption policy.

The official website of VEB.RF contains²² whistleblowing service for individuals and corporate entities to submit written and oral reports on instances of corruption to VEB.RF's mailing address and over the phone, respectively.

VEB.RF submits quarterly reports on the progress on its anti-corruption measures to the Ministry of Labour and Social Protection of the Russian Federation and to the Government of the Russian Federation within the established timelines.

VEB.RF has officially stated²³ that representatives of public associations who have anti-corruption as the official purpose of their existence can approach VEB.RF to jointly develop proposals on building zero tolerance towards corruption at VEB.RF.

The Compliance and Conflict of Interest Commission of VEB.RF is responsible for performing the essential function related to the implementation of VEB.RF's Anti-corruption Policy²⁴.

²⁰ Information on VEB.RF's website: <http://veb.ru/o-banke/protivodeystviye-korrupsii/svedeniya-o-dokhodakh-raskhodakh-ob-imushchestve-i-obyazatelstvakh-imushchestvennogo-kharaktera/>.

²¹ Anti-corruption whistleblowing channels on VEB.RF's website: <https://new.veb.ru/about/protivodeystviye-korrupsii/obratnaya-svyaz-dlya-soobshcheniy-o-faktakh-korrupsii/>.

ANTI-CORRUPTION AND COMBATING OTHER OFFENCES AT VEB.RF

In 2018, the Business Conduct and Conflict of Interest Commission of VEB.RF held three meetings and considered 13 issues.

Following the meetings of the Commission, two employees were held disciplinarily liable by being reproached and reprimanded.

In 2018, the VEB.RF Group's entities revealed one confirmed breach of bylaws applicable to project support (InfraVEB). Upon an internal investigation, the employee received a reprimand.

VEB.RF ANTI-CORRUPTION TRAINING IN 2018

Resolution of conflicts of interest	33 employees
Compliance and anti-corruption in Russia and the CIS	1 employee
Anti-corruption standards of federal funds, government-linked companies and state corporations: legal and organisational aspects	2 employees
Advanced training programme for anti-corruption in state corporations, government-linked companies and public not-for-profit organisations	12 employees

Structure of Issues Addressed by the Commission



- Notification of personal interest that arises in connection with the performance of job duties and results or may result in a conflict of interest of VEB.RF employees;
- Results of audits as to the reliability and completeness of income and property liabilities information provided by employees of VEB.RF and their compliance with the corporate conduct code;
- Statements by VEB.RF employees on substantiated inability to provide information on income, property, and property liabilities of their spouses;
- Issues related to VEB.RF taking measures to prevent corruption.

²²<http://veb.ru/o-banke/protivodeystviye-korruptsii/obratnaya-svyaz-dlya-soobshcheniy-o-faktakh-korruptsii/>

²³<http://veb.ru/o-banke/protivodeystviye-korruptsii/vzaimodeystvie-s-obshchestvennymi-obedineniyami/>

²⁴Information on the Commission's activities on VEB.RF's website: <https://new.veb.ru/about/protivodeystviye-korruptsii/komissiya-po-soblyudeniyu-trebovaniy-k-sluzhebnomu-povedeniyu-i-uregulirovaniyu-konflikta-interesov>.

No confirmed cases of corruption were identified at VEB.RF in 2018. No acts related to corruption offences against VEB.RF or its employees were committed.

**VEB.RF Group's Divisions Examined for
Corruption risks**

VEB.RF	Sviaz-Bank	Bank BelVEB	VEB-Leasing	VEB Engineering
18.2%	73.2%	24.4%	100%	36.8%
VEB Capital	MONOGORODA.RF	FEDF	VEB Innovations	VEB Innovations Fund
89.5%	100%	100%	100%	100%

**Employees Trained in Anti-corruption Policies
and Procedures by Occupational Category**

	VEB.RF	Sviaz-Bank	Bank BelVEB	REC Group
Executives	7.8%	0.4%	0.5%	1.7%
Specialists	2.0%	-	0.1%	2.3%

8.5. Combating Money Laundering and the Financing of Terrorism and Proliferation

VEB.RF operates a system designed for combating money laundering and the financing of terrorism and proliferation, complying with Federal Law No. 115-FZ of 7 August 2001 “On Anti-Money Laundering and Combating the Financing of Terrorism”, following recommendations of the Central Bank of the Russian Federation and international financial institutions and using practical experience of Western and leading Russian financial institutions.

The system is based on VEB.RF’s internal control rules for combating money laundering and the financing of terrorism and proliferation (CML/FT & proliferation) developed as special-purpose documents (programmes) that describe VEB.RF’s measures, the operating procedure and the procedure for the interaction between business units for the purposes of CML/FT & proliferation and are subject to approval by the Chairman of VEB.RF.

The programmes include procedures to identify customers, customer representatives, beneficiaries and beneficiary owners, assess customer risks, and the risk of using VEB.RF’s services for money laundering, the financing of terrorism or proliferation of weapons of mass destruction, identify controlled customer transactions and operations or unusual operations in a timely manner, document and keep information received, and take measures to combat money laundering and the financing of terrorism and proliferation.

The CML/FT & Proliferation Officer appointed by the Chairman of VEB.RF is responsible for applying the internal control rules for CML/FT & proliferation.

VEB.RF has a special function responsible for developing and implementing the internal control rules for CML/FT & proliferation, submitting the information required by Federal Law No. 115-FZ of 7 August 2001 to the Federal Service for Financial Monitoring of the Russian Federation, and taking other internal organisational measures aimed at CML/FT & proliferation.

VEB.RF’s implementation of measures related to CML/FT & proliferation is supervised by VEB.RF’s Deputy Chairman and member of the Management Board.

On an annual basis, the CML/FT & Proliferation Officer reports to VEB.RF’s supreme governing body, the Supervisory Board, on compliance with CML/FT & proliferation.

PRINCIPLES OF COMBATING MONEY LAUNDERING AND THE FINANCING OF TERRORISM AND PROLIFERATION

— Protect VEB.RF from money laundering.



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- Manage the AML/CFT risk for mitigation purposes.
- Ensure the independence of the CML/FT & Proliferation Officer.
- Involve employees of business units, regardless of their positions, within their competencies in identifying operations (transactions) that are subject to mandatory control as well as operations suspected to be conducted for money laundering or the financing of terrorism.

In 2018, VEB.RF took measures under the internal control rules for CML/FT & proliferation to identify customers, customer representatives, beneficiaries and beneficial owners and identify organisations and individuals known to be involved in extremism, terrorism or proliferation of weapons of mass destruction or subject to orders to freeze (block) their money or other property. VEB.RF also took measures to identify controlled and suspicious operations and report them to the authorities, provided necessary training, organised an in-depth analysis of customers and their operations and ensured timely replies to inquiries from the authorities.

Since organisations that deal with transactions involving money or other property became responsible for combating the financing of proliferation of weapons of mass destruction, the internal control rules for CML/FT & proliferation were amended accordingly.

The internal control rules for CML/FT & proliferation were supplemented with a new programme to organise the handling of customer documents and/or information that there are no reasons to reject a request to execute a transaction order or enter into a bank account (deposit) agreement. The programme also specifies how to deal with inquiries and decisions of the interdepartmental commission of the Bank of Russia.

Employee Training and Education Programme for Combating Money Laundering and the Financing of terrorism and Proliferation in 2018

Induction (initial) training	150 employees
Further (scheduled) training	365 employees
Specific training/advanced training	50 employees
VEBTesting of employees' knowledge of CML/FT & Proliferation	355 employees

VEB.RF complies with the prohibition against informing customers and other persons about measures of combating money laundering and the financing of terrorism and proliferation as required by Article 4 of Federal Law No. 115-FZ of 7 August 2001 "On Anti-Money Laundering and Combating the Financing of Terrorism".

Information on CML/FT & proliferation is published on VEB.RF's website, with VEB.RF's CML/FT & Proliferation Questionnaire updated on a regular basis.

8.6. Procurement



The VEB.RF Group's procurement is driven by transparency, absence of discrimination and unjustified restrictions to competition, as well as unbiased and unambiguous application of internal standards to bidders and expanding the range of bidders.

VEB.RF and the VEB.RF Group's entities²⁶ carry out procurement in accordance with the requirements of Federal Law No. 223-FZ of 18 July 2011 "On Purchases of Goods, Work, and Services by Certain Types of Corporate Entities". The focus of the VEB.RF Group's procurement

A foresight session to discuss amendments to the Regulations on Procurement and the procedure for interaction with subsidiaries

In 2018, improvements to VEB.RF's procurement procedures saved a total of RUB45.67mn

practices is on cost effectiveness and cost reduction.

In the reporting year, we focused on making our procurement operations more efficient and on improving the structure of our procurement operations. The VEB.RF Group provides regular training and upskilling

²⁶ Except for the Monotowns Development Fund, which is not covered by Federal Law No. 223-FZ of 18 July 2011, and Bank BelVEB, Prominvestbank, and VEB Asia, as they carried out their procurement in accordance with the legislation of those countries in which they operate.

for its procurement officers and engages experts to introduce advanced procurement techniques into its practices in accordance with Federal Laws No. 44-FZ and No. 223-FZ.

As resolved by the Steering Committee, VEB.RF set up the Corporate Bidding Centre to ensure coordination and interaction between the VEB.RF Group's entities and VEB.RF's business units for procurement purposes.

At the end of 2018, ten subsidiaries of the VEB.RF Group operated under agreements to apply the Procurement Regulations of VEB.RF. In 2018, VEB.RF and its subsidiaries performed 11 consolidated (joint) procurement procedures, **saving a total of RUB67.5mn.**

VEB.RF Group's Procurement in 2018

VEB.RF	VEB.RF Group
Share of competitive procedures in total procurement: 44.0% (26.8% of purchases)	Share of competitive procedures in total procurement: 42.1%
Share of purchases from SMEs in total procurement: 62.9%	Share of purchases from SMEs in total procurement: 12.3%
Share of purchases from local (Russian) suppliers in total procurement: 35.6%	Share of purchases from local (Russian) suppliers in total procurement: 93.9%
	Share of Bank BelVEB's purchases from local (Belarusian) suppliers in total procurement: 99.2%
	Share of Prominvestbank's purchases from local (Ukrainian) suppliers in total procurement: 96.5%

*Excluding the VEB.RF Group's entities operating outside Russia

In 2018, VEB.RF was among the leaders of the National Procurement Transparency Rating for the fourth consecutive year by receiving the highest award, "**Guaranteed Transparency**".

Launched 11 years ago by an independent private research centre, the National Procurement Transparency Rating is designed to evaluate the Russian market for public, municipal, corporate, and private procurement. The rating is based on the ongoing monitoring of the efficiency and transparency of procurement procedures at different levels.



CORPORATE LIFE



9.1. HR Policy

To ensure VEB.RF's transformation into a real development institution that will drive the implementation of the May Presidential Decree, the implementation of VEB.RF's HR policy in 2018 focused on improving the organisational framework of VEB.RF and its subsidiaries.

Human resources, VEB.RF's high-potential and highly efficient employees, are the principal asset of VEB.RF, which fosters the organisation's transformation.

As a result, approaches to business processes related to HR management underwent considerable changes in 2018. VEB.RF and its subsidiaries conducted an audit of existing processes across the following areas: HR document management, recruitment, support for voluntary medical insurance, training and development. Based on the audit's results, VEB.RF designed common approaches to centralising the functions of HR document management, recruitment, and support for voluntary medical insurance, with target service processes determined based on VEB Service (a subsidiary of VEB.RF). As a result, VEB.RF's subsidiaries will be soon integrated into a single HR ecosystem.

During the year, the VEB.RF Group's staff was rightsized to ensure economic efficiency of State Development Corporation VEB.RF. Business consolidation will increase performance since most processes will be



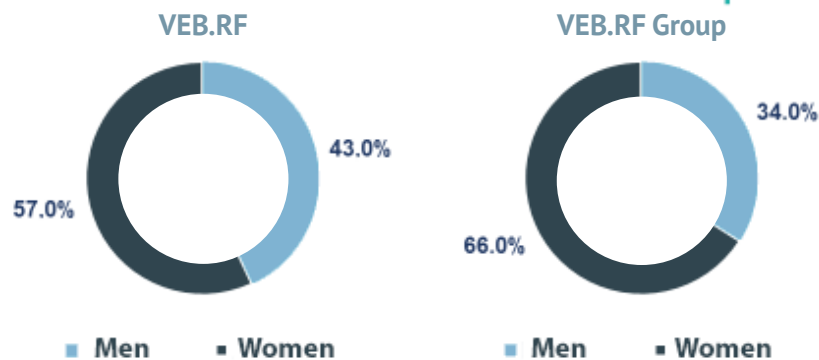
“We are already well positioned to meet the challenges. Our team includes many highly professional people, who will help us to achieve new goals and work on ambitious projects. There will certainly be changes. Challenging tasks require the mobilisation of resources, the thorough monitoring and continuous improvement of internal processes, and organisational changes.”

“We will need to optimise the structure and number of personnel while working to improve the performance of each team member. We will retain and develop high-potential talent and attract new leaders from the market.”

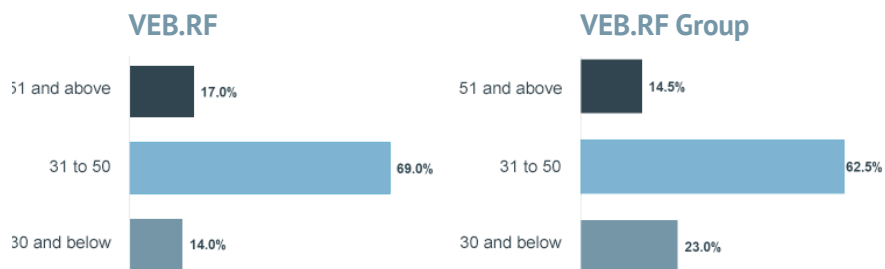
Igor Shuvalov
Chairman, VEB.RF

centralised to avoid overlapping functions at the level of VEB.RF and its subsidiaries. The VEB.RF Group streamlined its organisational structure in 2018 to acquire the necessary capabilities.

Personnel by Gender*



Personnel by Age*



* The reporting year witnessed no significant changes in the HR structure of VEB.RF and the VEB.RF Group from a year earlier.

9.2. Personnel Training and Development

Through the optimisation in 2018 of its business processes, VEB.RF has set up a knowledge management system, VEB.Knowledge, which includes four knowledge areas:

- development programmes (educational initiatives that help to build up expertise in VEB.RF's priority development areas: urban economy, support for export and for import substitution, backbone infrastructure, and relations with federal development institutions);
- corporate culture (measures to reinforce the overall corporate culture, accelerate transformation, build a team of likeminded professionals, and create a happy and encouraging environment for employees of VEB.RF);
- personal development (training aimed at developing cognitive and social behaviour skills in employees);
- professional training (training aimed at developing technical and digital competences, including to raise digital literacy).

VEB.Knowledge is an integral element of managing the talent pool build up at VEB.RF to develop a balanced talent management system within the organisation, which will facilitate the implementation of the HR strategy to recruit and retain high-potential employees.

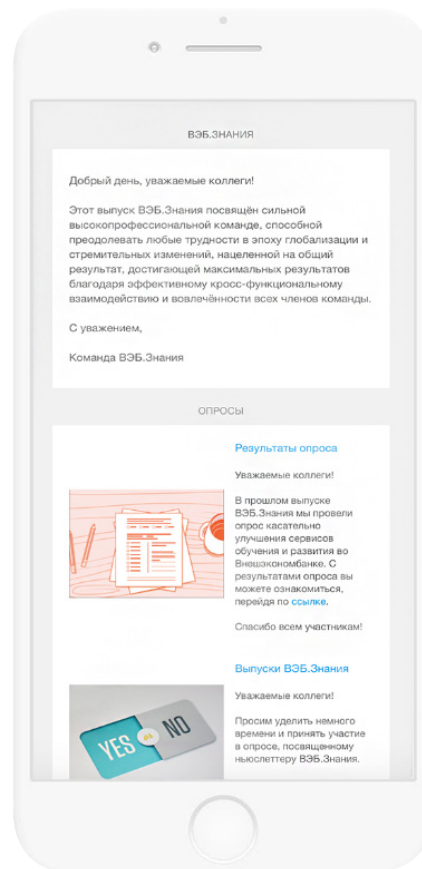
VEB.Knowledge (<http://ed.veb.life/>) is a single communication and educational environment for the Group's employees and partners providing the common information and communication space for all employees of the VEB.RF Group. The platform offers educational information focused on building key skills such as leadership, teamwork, change management, project management, and so on. Educational information is offered in different formats such as video lectures, books, online courses, and conference (including TED) records.

VEB.Knowledge information digests are published at least monthly, with each issue structured around a priority topic of VEB.RF. In 2018, VEB.Knowledge issued 13 digests.

In order to create a beneficial environment facilitating continuous organisational development, building up personal and professional competences of employees, and contributing towards efficient implementation of strategic goals, VEB.RF continued to undertake its corporate-wide educational initiatives for employees and partners of VEB.RF.

A cycle of open public lectures and workshops was held for employees of VEB.RF and its subsidiaries, covering a wide range of topics, including:

- best practices in industrial project management;





- competitive analysis in the aircraft industry;
- best practices in managing operational risks in financial institutions;
- space data and their business applications;
- GLONASS development strategy until 2030;
- programmes and stages of selecting projects for the Industry Development Foundation;
- lifecycle of an export project and government support for export-oriented enterprises;



The Training Class continued its work to help VEB.RF's employees fully master the use of MS Office software applications and improve their computer literacy. The Training Class is one of the longest educational projects of VEB.RF. In 2018, the project marked its 22nd anniversary. Over these years, more than 2,700 students were trained under more than 50 programmes of the Class. The Training Class has been continuously improving its educational initiatives to keep pace with the modern developments and reflect the profile of VEB.RF's operations.

- innovation in pension laws;
- crypto economics and blockchain competencies;
- China's digital ecosystem;
- robot-based process automation;
- personal growth and organisational evolution;
- business etiquette;
- TED-style presentations;
- social media and personal brand.

In 2018, VEB.RF organised individual and corporate training for its employees at venues of VEB.RF and external training organisations, with 1,034 employees undergoing classroom and distance training.

Educational events were also organised for children of VEB.RF's employees, including tours of Moscow museums, such as the Diamond Fund, the Museum of Cosmonautics and the Pushkin Museum of Fine Arts.

Training at the VEB.RF Group in 2018

VEB.RF	VEB.RF's subsidiaries
Total cost of training: RUB13.7mn (RUB13.9mn in 2017)	Total cost of training: RUB28mn (RUB37.4mn in 2017)
Number of employees trained: 1,034 (about 1,500 in 2017)	Number of employees trained: 9,519 (about 9,000 in 2017)

Training Aimed at Increasing Employability

VEB.RF		VEB.RF's subsidiaries	
Personal competencies	67 people	Personal competencies	957 people
Foreign languages	16 people	Foreign languages	64 people
Computer literacy	51 people	Computer literacy	167 people
Higher education	1 person	Higher education	1 person

Average Number of Training Hours per Employee

Sviaz-Bank Executives – 13.40 Specialists – 13.00	Bank BelVEB Executives – 23.30 Specialists – 14.57 Technicians – 6.43	Prominvestbank Executives – 6.11 Specialists – 4.66 Technicians – 1.02
VEB-Leasing Executives – 32.36 Specialists – 16.30 Technicians – 2.40	REC Group Executives – 13.12 Specialists – 9.42	VEB Engineering Executives – 5.18 Specialists – 6.13
InfraVEB Executives – 2.43 Specialists – 17.80	MONOGORODA.RF Executives – 8.47	FEDF Executives – 15.59 Specialists – 32.25
VEB Innovations Specialists – 7.00 Technicians – 33.57	VEB Service Executives – 3.96 Specialists – 3.62	VEB.RF Group's average training hours per employee – 12.27

9.3. Social Programmes

VEB.RF's Social Programmes in 2018

**VOLUNTARY HEALTH INSURANCE**

Total expenses: **RUB194.5mn** (RUB207.8mn in 2017).

Annual limit of expenses per employee:

RUB 43,000 (41,800 in 2017)

1,681 people insured (3,123 people in 2017), including 1,012 employees, 187 children, 482 retired members of VEB.RF's Labour Veteran Council.

**INSURANCE**

Insurance for employees working outside the permanent place of residence: **535 people** (1,532 in 2017).

**FINANCIAL ASSISTANCE**

Total financial assistance: **RUB43.2mn for 602 employees** (RUB58.9mn for 585 people in 2017).

**MATERNITY**

Total expenses: **RUB46.6mn** (RUB41.5mn in 2017).

270 employees under the Prenatal Care and Obstetric Aid programme (101 in 2017).

**RECREATION AND HEALTH RESORTS**

Total expenses: **RUB3.3mn** (RUB4.8mn in 2017).

Health resort treatment:

37 retired members of VEB.RF's Labour Veteran Council (64 in 2017).

Reimbursement for children's summer holiday expenses:

53 employees (52 in 2017).

**SPORTS**

Special membership fees of X-Fit and World Class fitness clubs:

309 employees (202 in 2017).

VEB.RF'S PENSION PLANS IN 2018

INDIVIDUAL PENSION PLAN

VEB.RF pays monthly contributions to

Vnesheconomfond into individual pension accounts of employees with at least one year of employment with VEB.RF. To qualify for private pensions, employees should reach retirement age and have at least five years of employment with VEB.RF.

— At the end of 2018, 1,940 employees had individual pension plans (2061 in 2017).

— A private pension averaged RUB22,627 (RUB19,495 in 2017).

— VEB.RF's expenses (RUB346.3mn in 2017).

PAY-AS-YOU-GO PENSION PLAN

The pension plan for retired members of VEB.RF's Labour Veteran Council operates under the private pension coverage agreement with Vnesheconomfond.

— At the end of 2018, 523 employees had pay-as-you-go pension plans (481 in 2017).

— 481 in 2017 (RUB15,392 in 2017).

Despite the absence of statutory requirements to provide social guarantees to employees of pre-retirement and retirement age, VEB.RF adopted all possible measures to increase social protection for these categories of employees.

ASSISTANCE TO VEB.RF'S RETIRED AND DOWNSIZED EMPLOYEES

Voluntary membership in VEB.RF's Labour Veteran Council – members of the Labour Veteran Council are granted additional social guarantees and benefits such as voluntary health insurance and financial assistance.

Vnesheconombank's Excellent Employee Badge – the corporate award is recognised by Moscow's social welfare agencies as adequate justification for awarding the Labour Veteran rank (with the requisite years of employment) and entitles awardees to receive a monthly increase of 5,000 roubles under their private life pension plans (employees of retirement age should have at least 17 years of employment and retire officially). These pensions are paid by a private pension fund, Vnesheconomfond.

BANK BELVEB'S PENSION AND INSURANCE PLANS

Bank BelVEB pays monthly insurance contributions for employees aged 53 and above (men) and 48 and above (women). The bank makes insurance payments on a monthly basis. To qualify for insurance cover, employees should reach retirement age and have at least three years of employment with Bank BelVEB.

VEB.RF Group non-financial report 2018

— Bank BelVEB's expenses: RUB39.8mn (RUB45.6mn in 2017).

— At the end of 2018, 307 employees had pension plans (715 in 2017).

VEB.RF Group's Social Programmes in 2018

VOLUNTARY HEALTH INSURANCE

Total expenses: – **RUB176.9mn** (RUB129.6mn in 2017)

Annual limit of expenses per employee – RUB33,700 to RUB210,000 (same as in 2017).

5,891 people insured (4,484 in 2017), including 410 family members (inclusive of personal expenses), 179 children.

INSURANCE

TOTAL EXPENSES: – **RUB39.9mn** (RUB289,600 in 2017) for **1086 employees** (388 in 2017).

FINANCIAL ASSISTANCE

Total financial assistance: RUB435.1mn for **2,821 employees** of subsidiaries and **416 retirees** of Bank BelVEB (RUB250.7mn for 2,874 employees and 397 retirees in 2017).

MATERNITY

Total expenses: **RUB51.6mn** (RUB53.5mn in 2017).

1,248 employees under the programmes (1,904 in 2017).

RECREATION AND HEALTH RESORTS

Reimbursement for Crimea holiday expenses: **158 employees** of Sviaz-Bank






































Total amount of reimbursement: RUB4.3mn (RUB3.7mn for 115 employees in 2017).

SPORTS

Total expenses: **RUB16.1mn** (RUB12.4mn in 2017).

Participants in sports events: **488 employees** (2,300 in 2017).

VEB.RF Group's Social Programmes in 2018

Sviaz-Bank	    	InfraVEB	 
Bank BelVEB	    	MONOGORODA.RF	
Prominvestbank	  	FEDF	 
VEB-Leasing	   	VEB Innovations	  
REC Group	   	VEB Innovations Fund	 
VEB Engineering	 	VEB Service	  
VEB Capital			

9.4. Occupational Health and Safety

The VEB.RF Group operates in strict compliance with the Russian occupational health and safety laws.

In 2018, the VEB.RF Group's entities ran a special assessment of working conditions at 1,685 workplaces.

The majority of the VEB.RF Group's entities arranged introduction and scheduled briefings and occupational safety knowledge tests for their employees. Overall, 7,278 employees of the VEB.RF Group took part in occupational safety training during the year under report.

No occupational diseases were registered at the VEB.RF Group in 2018²⁸. One occupational injury was reported by Sviaz-Bank. To address the causes of the injury, Sviaz-Bank carried out an extraordinary safety competence assessment of all employees at its respective branch.

VEB Service views occupational care and improving the quality of the employees' life as one of its major concerns. All open spaces are equipped with the specifically designed Dezar ozone-free UV sterilisation lamps. To prevent flu and mitigate its complications and, consequently to reduce the absenteeism ratio, employees were given flu vaccination.

9.5. Corporate Culture

In the context of creating and fostering corporate culture, VEB.RF's Chairman set the goal to transform VEB.RF into an actual national development institution with extensive investment expertise and to learn how to work so as not to substitute its lending operations for those of commercial banks.

New interaction principles were introduced into VEB.RF's team in 2018, with an emphasis on transforming VEB.RF from within, including by making use of elements of an advanced business company. Prompt and efficient handling of corporate tasks and absence of any barriers or obstacles obstructing communications between employees facilitate smooth transformation.

In order to improve teamwork and create a more comfortable working environment, VEB Service organised the relocation of some of VEB.RF's employees to a new modern office in the historic centre of Moscow at 10 Vozdvizhenka Street. The new office with open-plan workspaces made it possible to improve collaboration and increase productivity. The office has spaces with mirrors where employees can change and keep clothes and footwear. Furthermore, VEB Service supplies Vozdvizhenka office employees with a wide range of healthy meals using organic ingredients, unique recipes and mild cooking techniques.

To ensure prompt communication between the office in Akademik Sakharov Avenue and the new office in Vozdvizhenka Street, VEB Service organised a two-way shuttle service shuttle running every hour. This allows the employees to resolve business issues, attend meetings and deliver documents without delay.

²⁸ Information on the occupational injury rate, occupational injury ratio, occupational disease ratio, lost day ratio and absenteeism ratio at the VEB.RF Group by gender is given in Appendix 8.



Dress code and workspace recommendations were issued in 2018 to introduce the workplace standards ensuring an appropriate working environment and helping VEB.RF to maintain its image as the country's leading development institution.



*“We have an amazing office. Extremely modern, accessible, democratic.
Anyone who wants to talk to me simply comes and speaks.”*

Natalya Timakova

Deputy Chairperson and Member of the Management Board, VEB.RF

9.6. Sports Events

Corporate sports events are traditionally important for VEB.RF and its subsidiaries. In 2018, our key team sports included volleyball, table tennis, and running.

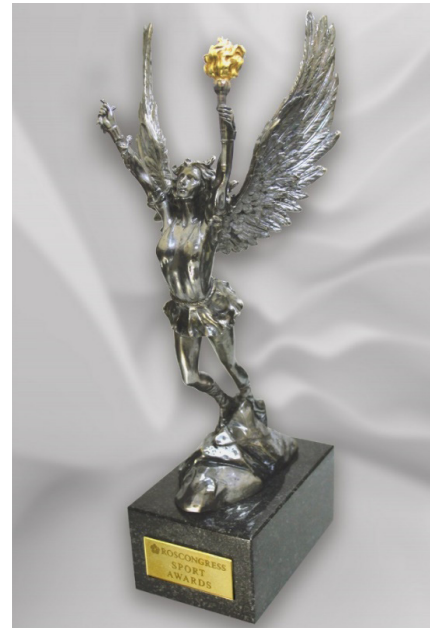
- The VEB.RF Group's team won a corporate table tennis championship, Business Champions League (Masters level), among the 30 strongest teams from different organisations.
- 12 corporate volleyball teams of the VEB.RF Group's entities took part in a volleyball tournament, the Spring Cup of the VEB.RF League 2018. The tournament was organised by VEB-Leasing for the first time in the tournament's history.



- Three teams of Bank BelVEB's employees participated in Bison Race 2018, an extreme running competition that includes more than 35 obstacles in a cross-country race across extremely challenging terrain.
- Bank BelVEB's team took part in a men's race timed to coincide with Defender of the Motherland Day and organised by the Belarus Athletic Federation.
- On 14 July 2018, Bank BelVEB's team took part in a fitness event, Champions Race, held in the form of a competition of bank employees at the Alabino site (Moscow Region, Russian Federation). Bank BelVEB became the first bank representing the Belarusian banking system

and the Republic of Belarus in general in such an event.

- Bank BelVEB's team won the Belarusian futsal championship for the second consecutive season. The championship was held by the Futsal Association of Belarus. In 2018, the bank's team also finished runners-up of the Belarusian Futsal Cup among banks.
- Employees of Prominvestbank took part in the following sports events:
 - 9th Nova Poshta Kyiv Half Marathon;
 - 9th Wizz Air Kyiv City Marathon 2018;
 - Kyiv Annual Indoor Games among financial and banking institutions;
 - VEB League Spring Cup (volleyball).



At the Roscongress Sport Awards ceremony in Davos, VEB.RF received the Award for Contribution to Sports Development for the VEB Arena innovative stadium.



14TH ANNUAL TOURIST RALLY OF BANK BELVEB

The summer camp organised by BelVEB was its key corporate event. Members of 15 corporate teams were to undergo 16 competition stages, including a basketball tournament, and various games such as 'ballistic rocket launch', 'ambulance', 'maze' etc. An improvised shooting competition became the final stage. The event involved not only employees, but also their family members, with sports grounds available to children and adults throughout the day. The rally concluded with an award ceremony.

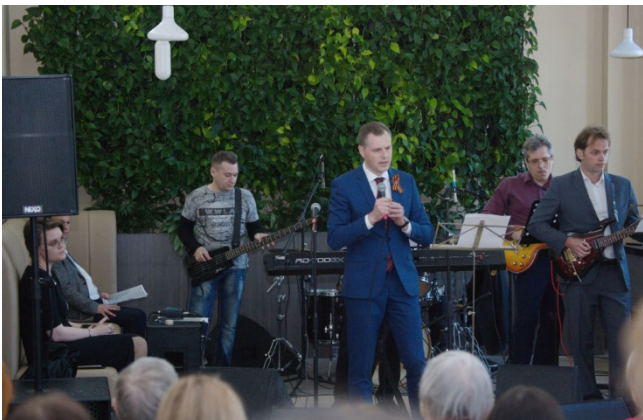
9.7. Care for Long-Service and Retired Employees

Founded with support from VEB.RF, the Council of Long-Service Employees works to involve retired employees in VEB.RF's public activities and provides them with social, legal, and financial assistance in accordance with bylaws.

VEB.RF regularly organises events and celebrations for long-service employees, providing them with the best care and attention.

VEB.RF operates as the guarantor of non-government pension coverage for its employees under VEB.RF's pension plan.

During the period under review, 46 employees of retirement age, who retired from VEB.RF for different reasons, were assigned a monthly life pension to be paid by a private pension fund, Vnesheconomfond.



Dinner ceremony and concert organised for long-service employees

At the request of the heads of standalone business units, the Management Board of VEB.RF approved the proposal of VEB.RF's Chairman to award the Vnesheconombank's Excellent Employee Badge to 34 employees whose positions were to be removed.

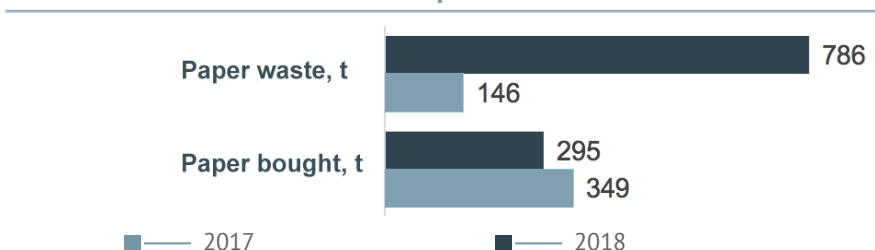
9.8. Administrative Practices

In their administrative practices, the VEB.RF Group's entities are committed to reducing resource consumption and streamlining the process of waste disposal.

VEB GROUP'S RESOURCE CONSUMPTION AND RECYCLING

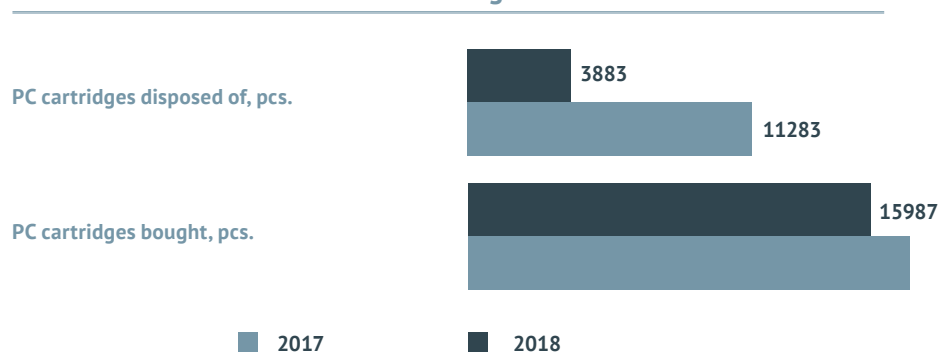
In 2018, we were able to significantly reduce paper and printer cartridge consumption through extensive adoption of electronic document management.

Paper



To reduce negative environmental impacts, the VEB.RF Group chooses high-grade energy-saving equipment, runs equipment in saving operation mode, and uses copying equipment shared among employees. Computer equipment is transferred to a specialist organisation or a supplier for disposal as Hazard Class 3 waste.

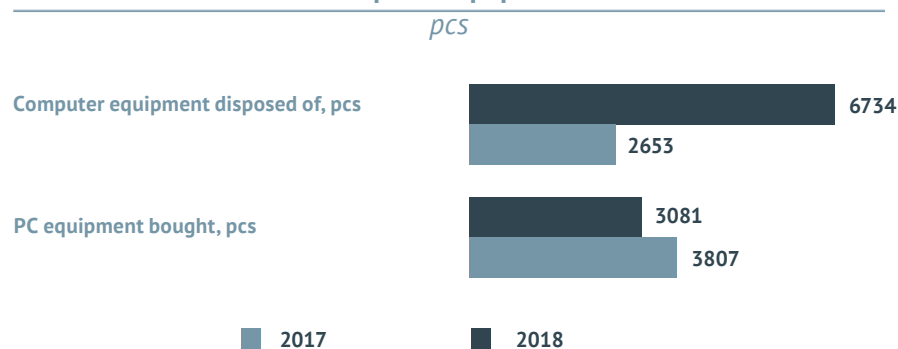
PC cartridges



The VEB.RF Group reduces municipal solid waste delivered for disposal at a burial site by transferring Hazard Class 3 waste for reuse and recycling. All types of waste from VEB.RF’s business operations are delivered to specialist organisations duly licenced to recycle or dispose waste on a municipal solid waste site.

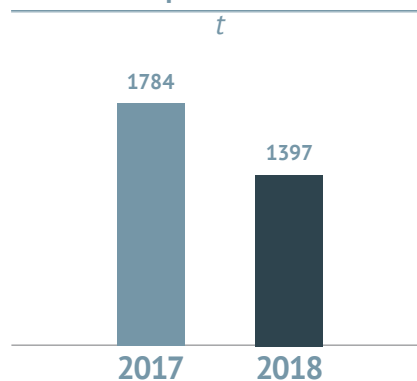
Computer equipment

pcs



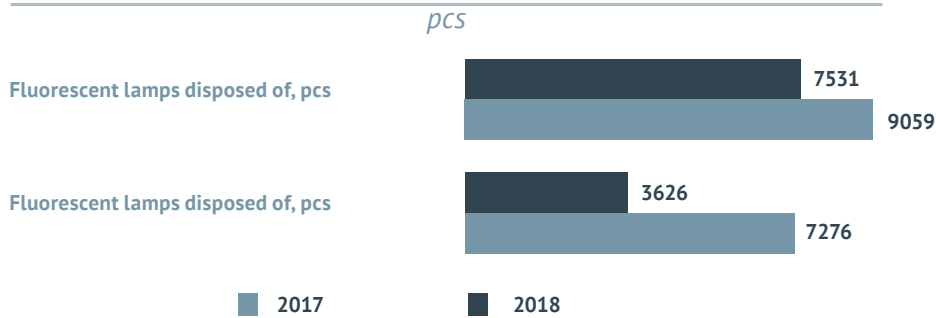
Municipal Solid Waste

t



In lighting, preference is given to energy efficient and the environmentally safest lamps (mostly LED). Fluorescent lamps are turned over to a specialised entity or a supplier for specific disposal as Hazard Class 1 waste.

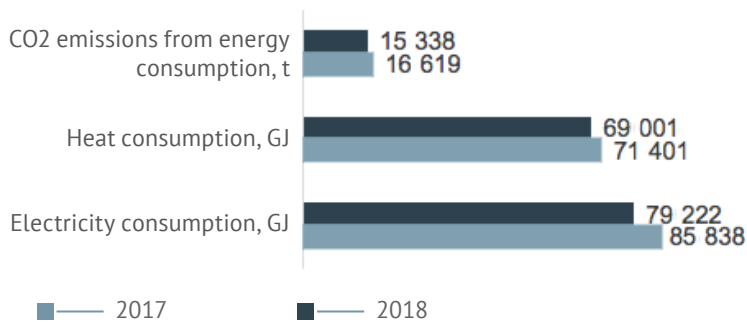
Fluorescent Lamp



VEB.RF GROUP'S ENERGY CONSUMPTION²⁹

To reduce electricity and heat consumption, the VEB.RF Group uses high-grade energy-saving equipment and optimises its utilisation, develops and implements energy saving measures, and raises awareness among employees of the need to save resources.

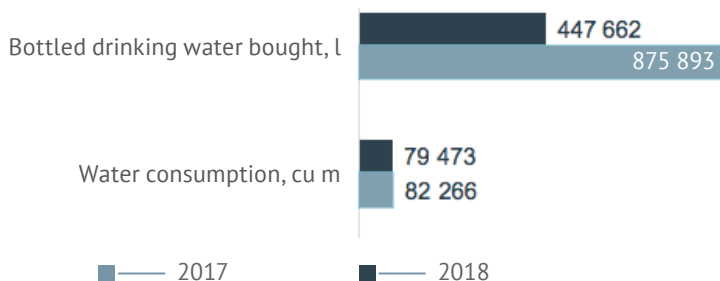
Energy Consumption



VEB.RF GROUP'S WATER CONSUMPTION

Water consumption is reduced by carrying out the regular preventive maintenance and repair of plumbing equipment and waterworks and raising awareness among employees of the need to save resources.

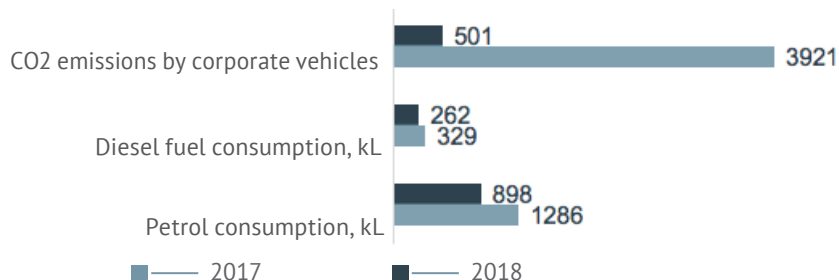
Water Consumption



USE OF THE VEB.RF GROUP'S CORPORATE VEHICLES³⁰

During the reporting year, we continued to implement initiatives to reduce emissions by corporate vehicles by almost halving their mileage year-on-year³¹.

Use of Corporate Vehicles



Lower fuel consumption and CO2 emissions by corporate vehicles was driven by a decrease in the number of vehicles and the total number of business trips due to the use of distant communication channels and putting limits on the use of corporate vehicles, and reduction in downtime.

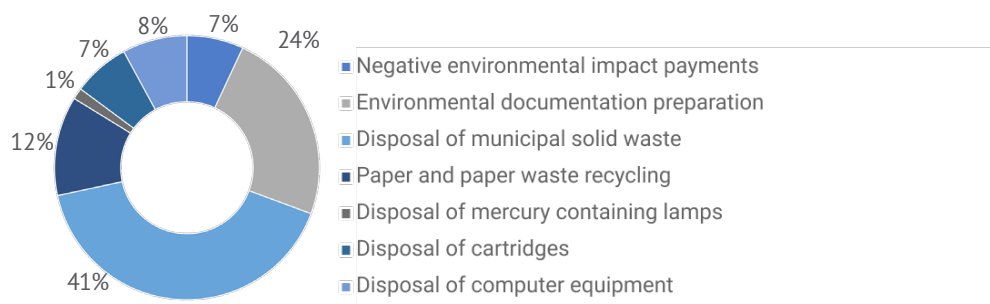
When developing the technical requirements for products to be procured, the VEB.RF Group considers environmental parameters of products and services preferring, where possible, products with a minimum environmental footprint.

Raising environmental awareness of employees is key to VEB.RF's environmental policy. In 2018, we continued the corporate initiative to collect used batteries for recycling.

ENVIRONMENTAL EXPENSES AND INVESTMENTS

The VEB.RF Group's environmental expenses and investments in 2018 totalled RUB5.4mn (2017: RUB10.4mn), including RUB379,000 of penalties for adverse environmental impact.

Environmental Expenses and Investments

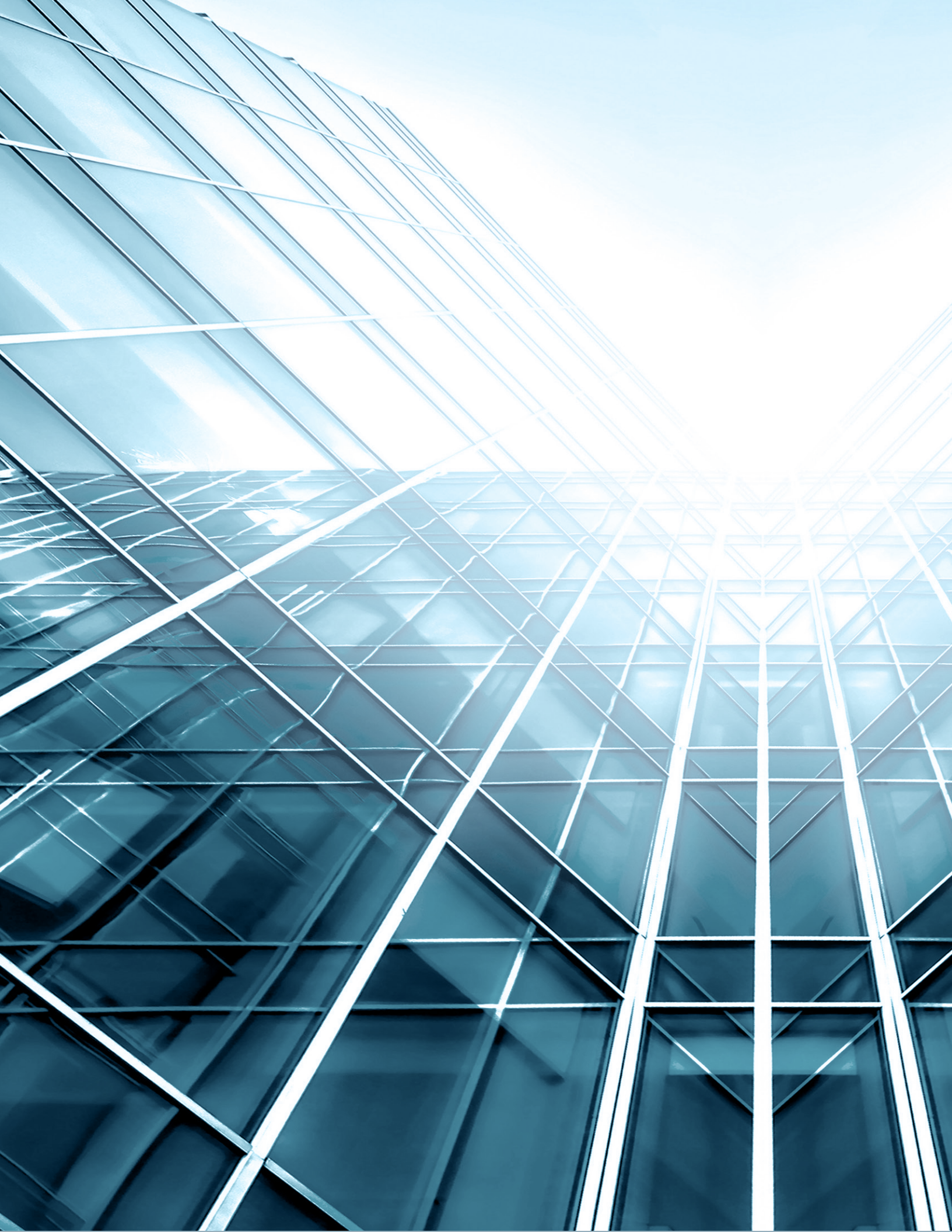


³⁰ CO2 emissions are calculated by applying the coefficients contained in the methodology released by the Intergovernmental Panel on Climate Change (Safeguarding the Ozone Layer and the Global Climate System: Issues Related to Hydrofluorocarbons and Perfluorocarbons).

³¹ Information is disclosed on a consolidated basis for VEB.RF and VEB Service.



APPENDICES



Appendix 1

ABOUT THE REPORT

The VEB.RF Group Non-financial Report 2018³² is prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and the Financial Services Sector Disclosures. The Report also discloses the VEB.RF Group's performance in terms of adhering to the UN Global Compact's principles of human rights, labour, the environment and anti-corruption.

The Report reflects the Concept of Developing Public Non-financial Reporting in the Russian Federation approved by Ordinance of the Russian Government No. 876-r of 5 May 2017.

The Report also reflects VEB.RF's commitment to achieving the UN Sustainable Development Goals (SDGs) approved by Heads of Government, including Russia, at the UN Summit on 25 September 2015.

The report is in accordance with the revised Regulations for the VEB Group Non-Financial Report as approved by Vnesheconombank Order No. 90 of 7 February 2018. In compliance with the Regulations, the Report was prepared by the Research and Expertise Institute established by Vnesheconombank in 2017. VEB.RF's Deputy Chairman supervising the Institute's operations is responsible for the Report. The Regulations specify the Report is subject to external assurance by independent auditors. Assurance engagements are arranged by VEB.RF's internal control function. In accordance with the Regulations, the Report requires approval from VEB.RF's Management Committee.

The Report presents key economic, social, and environmental highlights of VEB.RF and VEB.RF's entities for 2018, and outlines major assumptions and focus areas for the VEB.RF Group's short- and medium-term development subject to new tasks assigned to VEB.RF and the national goals of development and the improvement of the quality of life in Russia.

The Report contains estimates and forecasts regarding future events and/or activities and growth outlooks for the economic sectors in which VEB.RF operates, as well as operational results of VEB.RF, including its plans and the likelihood of certain events or actions. Users of the Report should not rely fully on the estimates and forecasts of VEB.RF's governing bodies as the actual results of VEB.RF's operations in the future may differ from the forecasts for numerous reasons.

The Report was audited by independent auditors and certified by the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (Appendix №14). The Report received approval from VEB.RF's Management Committee (Minutes No. 8 of 28.06.2019).

³² The entirety of data and indicators reflecting the goals, approaches and performance results of entities in all material aspects of social responsibility and sustainability, including the minimal list of indicators for mandatory disclosure.

Report Boundaries

State Development Corporation VEB.RF

REC Group ³³ : Russian Export Center, Export Insurance Agency of Russia (EXIAR), Russian Export-Import Bank (Eximbank)	Sviaz-Bank
	Bank BelVEB
	Prominvestbank
VEB Engineering	VEB-Leasing
Investment Company of Vnesheconombank VEB Capital	Far East and Baikal Region Development Fund
VEB Infrastructure	NPO Monotowns Development Fund
VEB Innovations	VEB Service
VEB Innovations Fund ³⁴	

For the purposes of this Report³⁵, the VEB.RF Group includes State Development Corporation VEB.RF and VEB.RF's entities.

The Report's boundaries changed substantially as compared to the previous reporting period:

- The Report does not contain information on Globexbank³⁶ and VEB Asia Limited³⁷;
- The Report discloses consolidated information on VEB.RF's contribution to the implementation of Decree of the President of the Russian Federation No. 204 of 7 May 2018 "On the National Goals and Strategic Objectives of Development of the Russian Federation for the Period Until 2024" and VEB.RF's new goals.

Information about resource consumption is disclosed only in respect of VEB.RF's entities', branches and representative offices with 50 or more employees as at the end of 2018.

³³ The Report discloses consolidated information on the REC Group's activities.

³⁴ For these entities, the Report discloses information only on the total number of employees as at the end of the reporting period, share capital or the contribution of VEB.RF as the sole founder, the head office address and the main areas of activities in the reporting period.

³⁵ The definition of the VEB.RF Group is different from the definition of a "bank group" or a "financial and industrial group" under Russian law or from the definition of the VEB.RF Group in the financial statements in accordance with Russian Accounting Standards and International Financial Reporting Standards.

³⁷ In 2018, the activities of VEB ASIA Limited did not fall within the scope of this Report and did not affect performance indicators.

VEB.RF GROUP'S KEY STAKEHOLDER MAP³⁸

To determine the scope of the Report, VEB.RF used the procedure for identifying material topics recommended by Sustainability Reporting Standards released by the Global Reporting Initiative (GRI Standards). The impact of a topic on estimates and decisions of stakeholders was determined by a stakeholder survey. The materiality of VEB.RF's economic, environmental, and social impact was determined based on a survey of VEB.RF's executives and line managers. The materiality of the selected topics was additionally confirmed through an analysis of foreign development institutions' annual reports prepared in accordance with GRI recommendations and containing information on material topics. These procedures resulted in building a map of material topics and relevant GRI aspects disclosed in the Report.

EXTERNAL STAKEHOLDERS		
High priority	<ul style="list-style-type: none"> — VEB.RF's Supervisory Board — Government of the Russian Federation — Governmental authorities 	The VEB.RF Group is responsible for promoting the government policy on socio-economic development
	<ul style="list-style-type: none"> — Investors and partners — Customers and borrowers 	The VEB.RF Group is responsible for enabling mutually beneficial cooperation with its counterparties
Medium priority	<ul style="list-style-type: none"> — Russian and international financial institutions — Professional and expert communities 	The VEB.RF Group is responsible for improving professional environment and investment climate
	<ul style="list-style-type: none"> — Suppliers and contractors 	The VEB.RF Group is responsible for ethics and integrity
	<ul style="list-style-type: none"> — Local communities at project locations 	The VEB.RF Group is responsible for better quality of life as the result of the projects financed
INTERNAL STAKEHOLDERS		
High priority	<ul style="list-style-type: none"> — VEB.RF's Management Board — VEB.RF's Group entities' management 	The VEB.RF Group is responsible for effective governance in decision-making
	<ul style="list-style-type: none"> — VEB.RF's Group entities' employees 	The VEB.RF Group is responsible for decent working conditions and equal opportunities for professional development

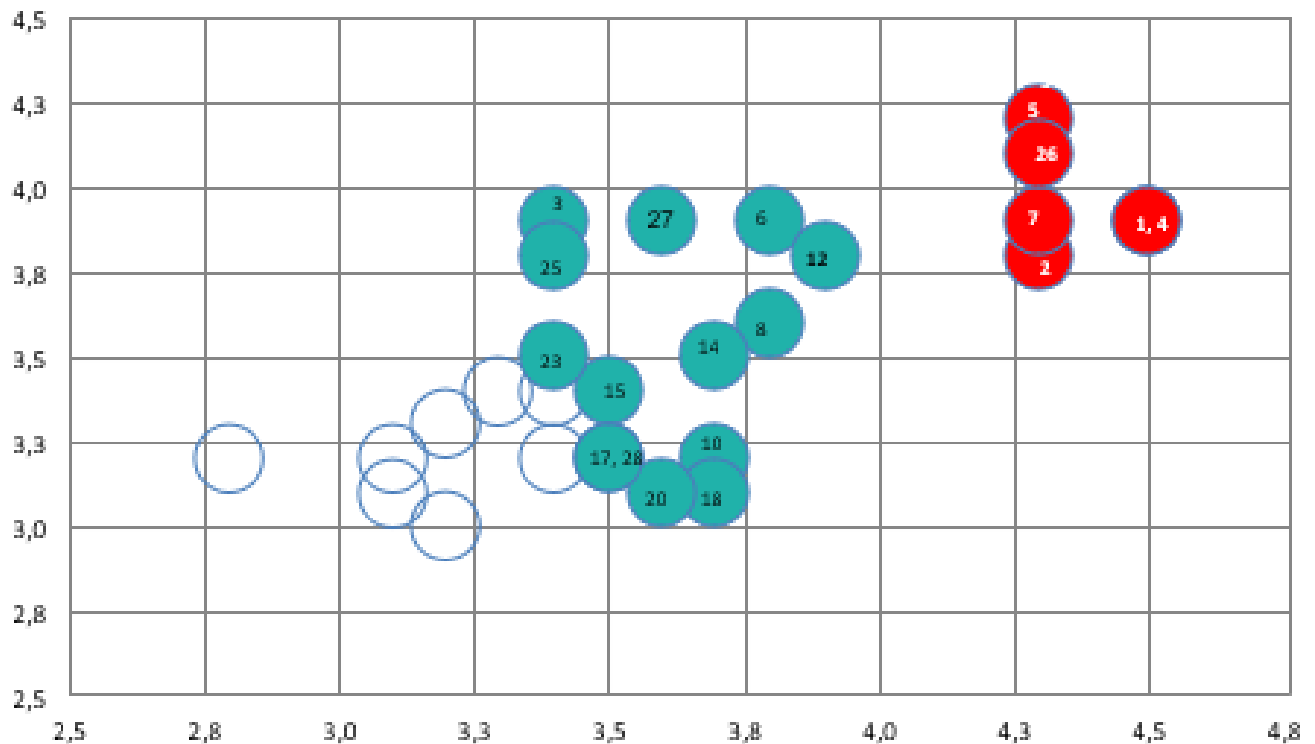
³⁸ VEB.RF's management identified the key stakeholders by assessing the mutual impact of stakeholders and the VEB.RF Group. The stakeholders were prioritised by their impact on the VEB.RF Group's day-to-day operations and strategic development.

● KEY MATERIAL TOPICS

1. Investment results and operational performance
2. Contribution to implementing Presidential Decree No. 204 of 7 May 2018
4. Overall impact from project implementation. Contribution towards the national economic growth and social well-being, and involvement in addressing socio-economic growth priorities of the Russian Federation (import substitution; technology, medicine, and food security; export potential)
5. VEB.RF's role in the framework of development institutions and government support for the economy
7. Investment in urban economy development projects
26. Contribution towards the development of regions and local communities (new jobs; support for education, healthcare, and culture; integrated spatial development)



Materiality Assessment



(the topics in the map have the same numbers as in the stakeholder survey)

● MATERIAL TOPICS

3. Approaches to investment priorities selection
6. VEB.RF Group's contribution to Russian technological leadership (R&D, innovation, high technology)
8. Business ethics, including anti-corruption practices and conflict of interest management
10. Compliance with the labour, environmental protection, tax, and other applicable legislation
12. Development of the risk management system
14. Responsible investment (principles and practices, including non-financial risk assessment)
15. Updating business models of VEB.RF's entities
17. Involvement in the public energy saving and energy efficiency programme
18. VEB.RF Group's overall investment in environmental protection
20. Training and development of the VEB.RF Group's personnel (corporate educational and upskilling programmes; duration and focus of employee training)
23. Respect of human rights, prevention of discrimination, and protection of personal data
25. Charitable activities and social investments, including Social Impact Bonds (SIB)
27. Involvement in the creation and implementation of the public policy (drafting of federal and/or regional legislation; involvement in public projects or programmes)
28. Socially important products and services offered by the VEB.RF Group's subsidiaries to individuals

○ NON-MATERIAL TOPICS

9. Adopting responsible practices in the VEB.RF Group's procurement policy (supplier review; support for small and medium enterprises)
11. Involvement of the VEB.RF Group in implementing the UN Sustainable Development Goals (integration of the SDGs into the business strategy and corporate social responsibility; impact of VEB.

RF's activities on performance against the goals)

13. Managing VEB.RF's entities

16. Contributing towards the green economy, environmentally responsible manufacturing and consumption

19. Occupational health and safety (occupational health programmes, promoting healthy lifestyles, preventing occupational injuries and diseases)

21. VEB.RF Group's main HR characteristics

22. Relations between employees and management (openness and quality of internal communications, practice of collective bargaining documents, personnel appraisal programmes)

24. Corporate volunteering

In 2018, VEB.RF ranked 15th in the Russian Regional Integrated Reporting Network's Russian Largest Companies Corporate Transparency Rating (38th in 2017). In accordance with the rating methodology, the completeness of VEB.RF's disclosures in 2018 corresponded with Transparency Level I. VEB.RF earned a score of 56.2 on a scale of 0 to 100 (32.35 in 2017)

Appendix 2

INDEX OF GRI DISCLOSURES IN THE REPORT PREPARED IN ACCORDANCE WITH THE GRI STANDARDS³⁹, THE GRI FINANCIAL SERVICES SECTOR DISCLOSURES, AND THE PRINCIPLES OF THE UN GLOBAL COMPACT⁴⁰

Item	UN Global Compact	Section of the Report/Comments	Page
GRI 102: GENERAL DISCLOSURES			
102-1 Name of the organisation		4.1. VEB.RF as Russia's Leading Development Institution	18
102-2 Activities, brands, products, and services		4.1. VEB.RF as Russia's Leading Development Institution 4.6. VEB.RF's Subsidiaries	18, 27–29
102-3 Location of headquarters		Appendix 15	203
102-4 Location of operations		4.1. VEB.RF as Russia's Leading Development Institution 4.6. VEB.RF's Subsidiaries 5.3. Projects Approved by VEB.RF in 2018	18, 27–29, 42
102-5 Ownership and legal form		4.1. VEB.RF as Russia's Leading Development Institution	18
102-6 Markets served		4.6. VEB.RF's Subsidiaries 5. Investing in Development 6. Support for Exports 7.7. International Relations	27–29, 32–79, 80–90, 108–113

³⁹ The Report uses the Standards effective as at 31.12.2016

⁴⁰ The ten principles of the UN Global Compact are contained in Appendix 3.

Item	UN Global Compact	Section of the Report/Comments	Page
102-7 Scale of the organisation		1. VEB.RF Group's Key Operational Results in 2018 4.6. VEB.RF's Subsidiaries 5. Investing in Development 6. Support for Exports 7.1. Mechanism of Government Guarantee Support 7.2. Performing the Functions of the Agent for the Russian Government 7.3. Intergovernmental Debt Relations 7.4. Investment of Pension Savings 9.1. HR Policy Appendix 12	6–11, 27–29, 32–79, 80–90, 93–95, 96, 97, 98–99, 154–155, 199
102-8 Information on employees and other workers	Principle 6	9.1 HR Policy Appendix 4 (source: HR records)	154–155, 191
102-9 Supply chain		8.6 Procurement	150–151
102-10 Significant changes to the organisation and its supply chain		4.6 VEB.RF's Subsidiaries 8.6 Procurement	27–29, 150–151
102-11 Precautionary Principle or approach	Principle 7	VEB.RF does not apply the Precautionary Principle directly. However, in making its investment decisions, VEB.RF conducts comprehensive due diligence procedures for projects, including environmental impact assessment	190
102-12 External initiatives		7.8 Involvement in the UN Global Compact	112–113
102-13 Membership of associations		7.8 Involvement in the UN Global Compact 7.7 International Relations	112–113, 107–111
2. STRATEGY			
102-14 Statement from senior decision-maker		1. Chairman's Statement	4–5
102-15 Key impacts, risks, and opportunities	Principles 1–10	4.3. VEB.RF's Strategic Development Goals 4.6. VEB.RF's Subsidiaries 8.3. Risk Management	22–23, 27–29, 138–143

Item	UN Global Compact	Section of the Report/Comments	Page
3. ETHICS AND INTEGRITY			
102-16 Values, principles, standards, and norms of behaviour	Principles 1, 2, 6, 10	9.5. Corporate Culture 8.4. Anti-corruption	162–163, 143–147
102-17 Mechanisms for advice and concerns about ethics	Principles 1, 2, 6, 10	8.4. Anti-corruption	143–147
102-18 Governance structure		8.1. Corporate Governance	128–135
102-19 Delegating authority		8.1. Corporate Governance	128–135
102-20 Executive-level responsibility for economic, environmental, and social topics		8.1. Corporate Governance	128–135
102-22 Composition of the highest governance body and its committees		8.1. Corporate Governance	128–135
102-23 Chair of the highest governance body		8.1. Corporate Governance	128–135
102-24 Nominating and selecting the highest governance body		8.1. Corporate Governance	128–135
102-26 Role of highest governance body in setting purpose, values, and strategy		VEB.RF's corporate strategy was approved by the VEB.RF's Supervisory Board	128–135
102-29 Identifying and managing economic, environmental, and social impacts		The powers of VEB.RF's Supervisory Board to manage economic, environmental and social impacts are defined by Federal Law No. 82-FZ of 17 May 2007 (as amended in 2018)	128–135

Item	UN Global Compact	Section of the Report/Comments	Page
102-30 Effectiveness of risk management processes		In accordance with Federal Law No. 82-FZ of 17 May 2007 “On Bank for Development” (as amended in 2018), VEB.RF’s Supervisory Board approves VEB.RF’s and the VEB.RF Group entities’ risk management policy and establishes the applicable criteria, restrictions and limits as stipulated by the specified policy and the Federal Law	128–135
102-31 Review of economic, environmental, and social topics		In accordance with Federal Law No. 82-FZ of 17 May 2017 “On Bank for Development” (as amended in 2018), VEB.RF’s Supervisory Board holds meetings at least quarterly	128-135
102-32 Highest governance body’s role in sustainability reporting		Appendix 1	172-177
5. STAKEHOLDER ENGAGEMENT			
102-40 List of stakeholder groups		Appendix 1	172-177
102-41 Collective bargaining agreements	Principles 1, 3	As at 31 December 2018, employees covered by collective bargaining agreements accounted for 27% of VEB.RF’s staff	187
102-42 Identifying and selecting stakeholders		Appendix 1	172-177
102-43 Approach to stakeholder engagement	Principles 1, 2	5.7 Regional Development Projects 7.9 Customer-Focused Practices 7.6 Developing the Investment Environment and Professional Community 7.7. International Relations 9.5 Corporate Culture Appendix 1	53-59, 113–119, 102–107, 107–111, 162–163, 172-177
102-44 Key topics and concerns raised		7.9 Customer-Focused Practices	115–121
6. REPORTING PRACTICE			
102–45 Entities included in the consolidated financial statements		Appendix 1	172-177
102–46 GRI Defining report content and topic Boundaries		Appendix 1	172-177

Item	UN Global Compact	Section of the Report/Comments	Page
102-47 List of material topics		Appendix 1	172-177
102-48 Restatements of information		No restatements of information contained in the Vnesheconombank Group Non-financial Report 2017	188
102-49 Changes in reporting		The Report's boundaries changed substantially as compared to the previous reporting period: – The Report does not contain information on Globexbank ⁴¹ and VEB Asia Limited ⁴² . Information about resource consumption is disclosed only in respect of VEB.RF's entities', branches and representative offices with 50 or more employees as at the end of 2018.	173
102-50 Reporting period		1 January 2018–31 December 2018	201
102-51 Date of most recent report		The Vnesheconombank Group Non-financial Report 2017 was published in July 2018	182
102-52 Reporting cycle		The VEB.RF Group publishes non-financial reports on an annual basis	172-173
102-53 Contact point for questions regarding the report		Appendix 15	203
102-54 Claims of reporting in accordance with the GRI Standards		The VEB.RF Group Non-financial Report 2018 is prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and the Financial Services Sector Disclosures.	172-173, 201
102-55 content index		Appendix 2	178-189
102-56 External assurance		Appendix 1 Appendix 14 Appendix 15	172-177, 201-207, 203

⁴¹ As resolved by VEB.RF's Supervisory Board on 23 April 2018, Sviaz-Bank completed its reorganisation through a merger with Globexbank. Therefore, it was decided that Globexbank should not be included in the Report.

⁴² In 2018, the activities of VEB ASIA Limited did not fall within the scope of this Report and did not affect performance indicators.

Item	UN Global Compact	Section of the Report/Comments	Page
MATERIAL TOPICS			
GRI 200: ECONOMIC			
GRI 201: ECONOMIC PERFORMANCE			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principle 10	9.1 HR Policy	154–155
201-1 Direct economic value generated and distributed		Appendix 12	199
201-3 Defined benefit plan obligations and other retirement plans	Principle 6	9.3 Social Programmes	159–161
201-4 Financial assistance received from government	Principle 10	Appendix 11	198
GRI 202: MARKET PRESENCE			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 1, 6	9.1 HR Policy	154-155
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Principles 1, 6	The VEB.RF Group's wages are not conditional upon the employee's gender. Appendix 13	204
GRI 203: INDIRECT ECONOMIC IMPACTS			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach		4.4 Coordination of Development Institutions 5.5 Socio-economic Impact of Projects	24–25, 46–48
203-1 Infrastructure investments and services supported	Principle 10	5. Investing in Development 7.6 Developing the Investment Environment and Professional Community 7.10 Charity and Volunteering	32–79, 102–107, 120–125

Item	UN Global Compact	Section of the Report/Comments	Page
203-2 Significant indirect economic impacts	Principle 10	5. Investing in Development	32-79,
		5.5 Socio-economic Impact of Projects	46-48,
		7.9 Customer-Focused Practices	113-119,
		7.1 Mechanism of Government Guarantee Support	93-95,
		7.2 Performing the Functions of the Agent for the Russian Government	96,
		7.3 Intergovernmental Debt Relations	97,
		7.4 Investment of Pension Savings	98-99,
GRI 204: PROCUREMENT PRACTICES			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principle 10	8.6 Procurement	150-151
204-1 Proportion of spending on local suppliers	Principle 10	8.6 Procurement	150
GRI 205: ANTI-CORRUPTION			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principle 10	8.4 Anti-corruption	143-147
205-1 Operations assessed for risks related to corruption	Principle 10	8.4 Anti-corruption	143-147
205-2 Communication and training about anti-corruption policies and procedures	Principle 10	8.4 Anti-corruption Appendix 9	143 149

Item	UN Global Compact	Section of the Report/Comments	Page
205-3 Confirmed incidents of corruption and actions taken	Principle 10	8.4 Anti-corruption No contracts terminated or not renewed due to violations related to corruption in 2018. No public legal cases regarding corruption brought against the organisation or its employees during the reporting period.	147
GRI 300: ENVIRONMENTAL			
GRI 301: MATERIALS			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 7, 8, 9	9.8 Administrative Practices	166-169
301-1 Materials used by weight or volume	Principles 7, 8, 9	9.8 Administrative Practices	166-169
GRI 302: ENERGY			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 7, 8, 9	9.8 Administrative Practices	166-169
302-1 Energy consumption within the organisation	Principles 7, 8, 9	9.8 Administrative Practices	166-169
GRI 303: WATER			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 7, 8, 9	9.8 Administrative Practices	166-169
303-1 Water withdrawal by source	Principle 8	9.8 Administrative Practices	166-169

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GRI 306: EFFLUENTS AND WASTE			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 7, 8, 9	9.8 Administrative Practices	166-169
306-2 Waste by type and disposal method	Principles 7, 8, 9	9.8 Administrative Practices The VEB.RF Group's activities do not involve the generation of significant waste. The Report discloses information on the Group's waste types with the largest impact. Waste treatment (disposal) methods are selected by the owners of offices rented by the VEB.RF Group's entities. Most waste is handed over to the office owners.	166-169
GRI 307: ENVIRONMENTAL COMPLIANCE			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 7, 8, 9	9.8 Administrative Practices	166-169
307-1 Non-compliance with environmental laws and regulations	Principle 8	No fines imposed on the VEB.RF Group's entities due to non-compliance with environmental laws and regulations in 2018. No non-financial sanctions identified.	
GRI 400: SOCIAL⁴³			
GRI 401: EMPLOYMENT			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 1- 6	9.1 HR Policy	154-155

⁴³ The VEB.RF Group's entities keep HR records in accordance with the labour regulations and legal requirements of Russia, Belarus or Ukraine.

Item	UN Global Compact	Section of the Report/Comments	Page
401-1 New employee hires and employee turnover	Principle 6	Appendix 5	192
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Principle 6	9.3 Social Programmes The VEB.RF Group's part-time and fixed-term employees receive partial social benefits.	159–161
401-3 Parental leave	Principle 6	Appendix 6	194–196
GRI 402: LABOUR/MANAGEMENT RELATIONS			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 1, 2, 6	9.1 HR Policy	154–155
402-1 Minimum notice periods regarding operational changes	Principles 1, 2, 6	In accordance with the Russian Labour Code, the notice period at VEB.RF and the VEB.RF Group's entities operating in Russia is at least two months. At Bank BelVEB and Prominvestbank, the provisions regarding the minimum notice period are included in collective bargaining agreements, and the minimum notice period is no less than three months and two months respectively.	192
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principle 1	9.4 Occupational Health and Safety	162
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Principle 1	9.4 Occupational Health and Safety Appendix 8	162, 195–196

Item	UN Global Compact	Section of the Report/Comments	Page
GRI 404: TRAINING AND EDUCATION			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principle 6	9.2 Personnel Training and Development	156–159
404-1 Average hours of training per year per employee	Principle 6	9.2 Personnel Training and Development	156–159
404-2 Programmes for upgrading employee skills and transition assistance programmes	Principle 6	9.2 Personnel Training and Development	156
404-3 Percentage of employees receiving regular performance and career development reviews	Principles 2, 6	Appendix 7	195
GRI 406: NON-DISCRIMINATION			
406-1 Incidents of discrimination and corrective actions taken		All employees of the VEB.RF Group are free from discrimination on the grounds of gender, religion, political opinion, race or age. No incidents of discrimination were identified within the VEB.RF Group in 2018.	192-193
GRI 413: LOCAL COMMUNITIES			
103-1 Explanation of the material topic and its Boundaries; 103-2 The management approach and its components; 103-3 Evaluation of the management approach	Principles 1, 2	5.7 Regional Development Projects	53–59
413-1 Operations with local community engagement, impact assessments, and development programmes	Principles 1, 2	5.7 Regional Development Projects 5.9 Development of the Russian Far East The VEB.RF Group's entities participate in public hearings and discussions to plan their activities which may have a significant impact on the environment and local population in 100% of cases in accordance with Russian legislation.	53–59, 63–69

Item	UN Global Compact	Section of the Report/Comments	Page
GRI 419: SOCIO-ECONOMIC COMPLIANCE			
419–1 Non-compliance with laws and regulations in the social and economic area	Principles 1, 2, 10	Penalties were imposed on Sviaz-Bank (RUB7,182,552.00 ⁴⁴) and Prominvestbank (equivalent of RUB 313,688.99) in 2017. The penalties were paid, and the entities took all necessary corrective actions. No non-financial sanctions, such as the suspension of the VEB. RF Group's entities' operations, were identified.	193
SECTOR SUPPLEMENT: FINANCIAL SERVICES SECTOR			
FS7/FS8 Monetary value of products and services designed to deliver a specific social and/or environmental benefit for each business line broken down by purpose.	Principle 8	5. Investing in Development 7.9 Customer-Focused Practices	34-79
FS14 Initiatives to improve access to financial services for disadvantaged people		7.9 Customer-Focused Practices	115–119

⁴⁴ Late payment interest penalties for property and land tax. Traffic fines levied by the General Administration for Traffic Safety. Penalties for tax violations. Penalties for consumer rights violations.

⁴⁵ Fines in accordance with resolutions of the National Bank of Ukraine, fines resulting from updated tax calculations.

Appendix 3

PRINCIPLES OF THE UN GLOBAL COMPACT

HUMAN RIGHTS

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2. Businesses should make sure that they are not complicit in human rights abuses

LABOUR

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 5. Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation

ENVIRONMENT

Principle 7. Businesses should support precautionary approach to environmental challenges

Principle 8. Businesses should undertake initiatives to promote greater environmental

Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies

ANTI-CORRUPTION

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery

Appendix 4

VEB.RF GROUP'S PERSONNEL BY EMPLOYMENT CONTRACT, EMPLOYMENT TYPE, EMPLOYEE CATEGORY AND GENDER

ITEM	RUSSIA						BELARUS		UKRAINE		TOTAL FOR THE VEB.RF GROUP	
	VEB.RF		VEB Group's entities in Russia		Total for the VEB. RF Group in Russia		men	wom.	men	wom.	men	wom.
	men	wom.	men	wom.	men	wom.						
PERSONNEL BY EMPLOYEE CATEGORY AND GENDER												
Total number of employees, including:	495	659	2642	5032	3137	5691	574	1471	365	860	4076	8022
Executives	251	186	614	714	865	900	191	223	127	156	1183	1279
Specialists	244	473	1955	4282	2199	4755	314	1224	210	670	2723	6649
Other categories	0	0	73	36	73	36	69	24	28	34	170	94
PERSONNEL BY EMPLOYMENT TYPE AND GENDER												
Full-time employees	427	609	2598	5006	3025	5615	573	1470	362	851	3960	7936
Part-time employees	68	50	44	26	112	76	1	1	3	9	116	86
PERSONNEL BY EMPLOYMENT CONTRACT AND GENDER												
Permanent employees	484	652	2561	4662	3045	5314	0	0	363	842	3408	6156
Fixed-term employees	11	7	81	370	92	377	574	1471	2	18	668	1886
Non-staff workforce	1	0	39	16	40	16	0	0	62	26	102	42

Appendix 5

VEB GROUP'S TOTAL PERSONNEL AND TURNOVER IN 2017 BY GENDER AND AGE

ITEM	RUSSIA			BELARUS	UKRAINE	TOTAL FOR THE VEB.RF GROUP
	VEB.RF	VEB Group's entities in Russia	Total for the VEB.RF Group in Russia			

TOTAL NUMBER OF NEW HIRES IN 2018

Total, including:	287	2601	2888	144	134	3166
Men	165	1096	1261	69	54	1384
30 and below	39	381	420	24	12	456
31 to 50	96	611	707	40	25	772
51 and above	30	104	134	5	17	156
Women	122	1505	1627	75	80	1782
30 and below	36	627	663	32	26	721
31 to 50	71	789	860	38	40	938
51 and above	15	89	104	5	14	123

PERCENTAGE OF NEW HIRES IN 2018

Total, including:	24.87	33.89	32.71	7.04	10.94	26.17
Men	14.30	14.28	14.28	3.37	4.41	11.44
30 and below	3.38	4.96	4.76	1.17	0.98	3.77
31 to 50	8.32	7.96	8.00	1.96	2.04	6.38
51 and above	2.60	1.35	1.52	0.24	1.39	1.29
Women	10.57	19.61	18.43	3.67	6.53	14.73
30 and below	3.12	8.17	7.51	1.56	2.12	5.96
31 to 50	6.15	10.28	9.74	1.86	3.27	7.75
51 and above	1.30	1.16	1.18	0.24	1.14	1.02

ITEM	RUSSIA			BELARUS	UKRAINE	TOTAL FOR THE VEB.RF GROUP
	VEB.RF	VEB Group's entities in Russia	Total for the VEB.RF Group in Russia			
TOTAL NUMBER OF DISMISSALS IN 2018						
Total, including:	950	2615	3565	373	388	4326
Men	441	1071	1512	179	153	1844
30 and below	80	327	407	48	27	482
31 to 50	266	621	887	100	86	1073
51 and above	95	123	218	31	40	289
Women	509	1544	2053	194	235	2482
30 and below	88	544	632	43	48	723
31 to 50	310	884	1194	114	157	1465
51 and above	111	116	227	37	30	294

PERSONNEL TURNOVER RATIO IN 2018

Total, including:	0,82	0,34	0,40	0,18	0,32	0,36
Men	0,38	0,14	0,17	0,09	0,12	0,15
30 and below	0,07	0,04	0,05	0,02	0,02	0,04
31 to 50	0,23	0,08	0,10	0,05	0,07	0,09
51 and above	0,08	0,02	0,02	0,02	0,03	0,02
Women	0,44	0,20	0,23	0,09	0,19	0,21
30 and below	0,08	0,07	0,07	0,02	0,04	0,06
31 to 50	0,27	0,1151942	0,13	0,06	0,13	0,12
51 and above	0,10	0,015116	0,03	0,02	0,02	0,02

Appendix 6

EMPLOYEES AFTER MATERNITY AND/OR PARENTAL LEAVE IN 2018 AND EMPLOYEES WITH UNCHANGED EMPLOYMENT AFTER MATERNITY AND/OR PARENTAL LEAVE, BY GENDER

INDICATOR	VEB.RF		VEB.RF Group's Entities		Total for the VEB.RF Group	
	<i>men.</i>	<i>wom.</i>	<i>men.</i>	<i>wom.</i>	<i>men.</i>	<i>wom.</i>
Total number of employees on maternity/parental leave as from 2018	1	44	4	504	5	548
Total number of employees after maternity/parental leave in 2018 with unchanged employment	3	50	1	239	4	289
Total number of employees after maternity/parental leave in 2018	3	41	2	481	5	522
Ratio of employees with unchanged employment after maternity/parental leave to employees after maternity/parental leave in 2018 (%)	100	122	50	49.7	80	55.4
Total number of employees after maternity/parental leave in 2017 with unchanged employment as at 31 December 2018 (i.e. with more than one year of employment after maternity/parental leave)	1	18	3	123	4	141
Total number of employees after maternity/parental leave in 2017 with unchanged employment	5	46	2	229	7	275
Share of employees retained after maternity/parental leave in 2018 (%)	20	39.1	150	53.7	57.1	51.3

Appendix 7

EMPLOYEE PERFORMANCE EVALUATION IN 2018

TOTAL	Executives		Specialists		Other (Technicians)	
	men.	wom.	men.	wom.	men.	wom.
22.9%	21.7%	16.5%	24.0%	23.5%	2.4%	1.1%

Appendix 8

VEB.RF GROUP'S OCCUPATIONAL INJURY RATE, OCCUPATIONAL INJURY RATIO, OCCUPATIONAL DISEASE RATIO, LOST DAY RATIO AND ABSENTEEISM RATIO BY GENDER⁴⁶

Entity	Gender	Total Incidents Involving Injuries in 2018	Injury Ratio	Occupational Disease Ratio	Lost Day Ratio	Absenteeism Ratio
VEB.RF	men	0	0.00	0.00	0.00	0.01
	wom.	0	0.00	0.00	0.00	0.02
Sviaz-Bank	men	1	0.00	0.00	0.00	0.02
	wom.	0	0.00	0.00	0.00	0.04
Bank BelVEB	men	0	0.00	0.00	0.00	0.03
	wom.	0	0.00	0.00	0.00	0.04

⁴⁶ The occupational injury rate, occupational disease rate, lost day ratio and absenteeism ratio are calculated in accordance with the GRI Guidelines. The lost day ratio due to occupational injuries was calculated in calendar days from day one of the employee's absence. The VEB Group does not keep records of minor injuries that only require first medical aid. The lost day ratio and occupational injury ratio are calculated applying the ratio of 1,000,000. The absenteeism ratio and lost day ratio are calculated by dividing the total number of working days missed, and the total number of working days lost due to occupational injuries, by the actual amount of time worked, respectively.

Entity	Gender	Total Incidents Involving Injuries in 2018	Injury Ratio	Occupational Disease Ratio	Lost Day Ratio	Absenteeism Ratio
Prominvestbank	men	0	0.00	0.00	0.00	0.02
	wom.	0	0.00	0.00	0.00	0.04
VEB-Leasing	men	0	0.00	0.00	0.00	0.03
	wom.	0	0.00	0.00	0.00	0.03
REC Group	men	0	0.00	0.00	0.00	0.02
	wom.	0	0.00	0.00	0.00	0.03
VEB Engineering	men	0	0.00	0.00	0.00	0.01
	wom.	0	0.00	0.00	0.00	0.03
VEB Capital	men	0	0.00	0.00	0.00	0.00
	wom.	0	0.00	0.00	0.00	0.00
InfraVEB	men	0	0.00	0.00	0.00	0.04
	wom.	0	0.00	0.00	0.00	0.05
MONOGORODA.RF	men	0	0.00	0.00	0.00	0.02
	wom.	0	0.00	0.00	0.00	0.02
FEDF	men	0	0.00	0.00	0.00	0.00
	wom.	0	0.00	0.00	0.00	0.00
VEB Innovations	men	0	0.00	0.00	0.00	0.01
	wom.	0	0.00	0.00	0.00	0.02
VEB-Innovations Fund	men	0	0.00	0.00	0.00	0.00
	wom.	0	0.00	0.00	0.00	0.01
VEB Service	men	0	0.00	0.00	0.00	0.01
	wom.	0	0.00	0.00	0.00	0.02

Appendix 9

TRAINING IN ANTI-CORRUPTION POLICIES AND PROCEDURES IN 2018

Entity	Total	Executives	Specialists	Other (Technicians)
VEB.RF	4.2%	7.8%	2.0%	-
Sviaz-Bank	0.1%	0.4%	0.0%	0%
Bank BelVEB	0.1%	0.5%	0.1%	0%
Prominvestbank	0.0%	0.0%	0.0%	0%
VEB-Leasing	0.0%	0.0%	0.0%	0%
REC Group	2.2%	1.7%	2.3%	0%
VEB Engineering	0.0%	0.0%	0.0%	0%
VEB Capital	0.0%	0.0%	0.0%	0%
InfraVEB	0.0%	0.0%	0.0%	0%
MONOGORODA.RF	0.0%	0.0%	0.0%	0%
FEDF	0.0%	0.0%	0.0%	0%
VEB Innovations	0.0%	0.0%	0.0%	0%
VEB Innovations Fund	0.0%	0.0%	0.0%	-
VEB Service	0.0%	0.0%	0.0%	0%

Appendix 10

NUMBER OF REPORTS, INCLUDING COMPLAINTS, RECEIVED FROM THE VEB.RF GROUP'S EMPLOYEES, CUSTOMERS AND PARTNERS IN 2018 AND HANDLED OFFICIALLY

Entity	Entity Employees	Corporate Entities (Partners, Customers)	SMEs	Individuals (Partners, Customers)
VEB.RF	2	1	-	-
Sviaz-Bank	6	64	188	8,878
Bank BelVEB	0	8	-	208
Prominvestbank	0	0	-	900
VEB-Leasing	0	51	148	-
REC Group	0	4	54	3
VEB Capital	7	2	-	-
InfraVEB	1	0	-	-

Appendix 11

FINANCIAL SUPPORT AT THE VEB.RF GROUP IN 2018

Entity	Financial Support Provided by VEB. RF to the Group's Entities	Financial Support Provided by Russian Government Authorities
VEB.RF	-	RUB136.1bn ⁴⁷
VEB-Leasing	-	RUB2,336.22mn
REC Group	-	RUB3,148.05mn
VEB Capital	RUB1,753.87mn	-
FEDF	RUB10,604.00mn	-
VEB Innovations	RUB3,500.00mn	-
VEB Innovations Fund	RUB43.00mn	-

⁴⁷ Including RUB125.5bn earmarked to reimburse expenses associated with its obligations for foreign loans in capital markets. In 2018, government support measures to maintain or change the authorised capital of VEB.RF were enshrined in the legislation for the first time.

Appendix 12

VEB.RF GROUP'S DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Item	Values, RUB mn (Consolidated IFRS Statements), 2018
Direct economic value generated	346.3
Interest income	255.8
Net commission fees	9.6
Non-interest income	80.9
Economic value distributed	(364.2)
Provision for impairment of interest-earning assets	(33.1)
Occupancy and equipment	(12.4)
Depreciation of property and equipment	(9.3)
Other operating expenses (less charitable contributions)	(63.4)
Charity and sponsorship	(0.4)
Payroll and other staff costs	(36.5)
Interest expenditures	(196.0)
Taxes other than profit tax	(2.9)
Income tax benefit (expense)	(10.2)
Economic value retained	(17.9)

Appendix 13

RATIOS OF THE STANDARD ENTRY-LEVEL WAGE TO THE LOCAL MINIMUM WAGE AS AT 31 DECEMBER 2018

Region	Entry-Level Wage (Minimum Grade) for Full-Time Employment (RUB)	Minimum Wage (Regional Level) ⁴⁸	Ratios of the Standard Entry-Level Wage to the Local Minimum Wage
VEB.RF			
Moscow	39,500.00	18,781	2.1
Sviaz-Bank			
Moscow	20,000	18,781	1.1
Bank BelVEB			
Minsk	17,987.02	9,798.25	1.8
Prominvestbank			
Kyiv	9,338.80	9,333.78	1.0
VEB-Leasing			
Moscow	30,000	18,781	1.6
Russian Export Center Group			
Moscow	22,700	18,781	1.2
VEB Engineering			
Moscow	63,000	18,781	3.4
VEB Capital			
Moscow	50,000	18,781	2.7
InfraVEB			
Moscow	45,000	18,781	2.4
MONOGORODA.RF			
Moscow	40,000	18,781	2.1
FEDF			
Moscow	55,000	18,781	2.9
Primorie Territory	43,350	11,280	3.8
VEB Innovations			
Moscow	60,000	18,781	3.2
VEB Innovations Fund			
Moscow	55,000	18,781	2.9
VEB Service			
Moscow	24,600	18,781	1.3

⁴⁸ Source: Moscow and Primorie Territory regional offices of the Federal Service for State Statistics of the Russian Federation; State Statistics Service of Ukraine; National Statistical Committee of the Republic of Belarus.

Appendix 14

EXTERNAL ASSURANCE OF THE VEB.RF GROUP NON-FINANCIAL REPORT 2018



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Assurance Report on the VEB.RF Group Non-financial Report 2018

To the Supervisory Board
of State Development Corporation VEB.RF

Engagement Subject Matter

We have been engaged by State Development Corporation VEB.RF (hereinafter referred to as the Company or VEB.RF) to perform a limited assurance engagement on the qualitative and quantitative disclosures in the VEB.RF Group Non-financial Report 2018 (hereinafter referred to as the Report), excluding the following aspects:

- ▶ third-party statements in the Report;
- ▶ future- or performance-related statements of the Group.

Applicable Assurance Engagement Criteria

Criteria contained in GRI Sustainability Reporting Standards (hereinafter referred to as the GRI Standards) and the Company's sustainable development principles presented in Appendix 1 (About the Report) were applied to the engagement. We believe that these criteria are consistent with the purposes of the engagement.

Management Responsibility

The Company's management is responsible for the preparation of the Report and for the fair presentation of the Company's sustainability policy, events and performance in the Report in all material respects for the year ended 31 December 2018 as set out in the GRI Standards and the Company's sustainable development principles presented in Appendix 1 (About the Report). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free from material misstatements. Furthermore, the Company's management is responsible for selecting and applying appropriate reporting principles and using appropriate assumptions and estimates.

Our Responsibility

Our responsibility is to express an independent opinion on the following:

- ▶ The Report presents fairly, in all material respects, the Group's sustainability policy, events and performance for the year ended 31 December 2018.

- ▶ The Report presents fairly, in all material respects, the Company's sustainability policy, events and performance for the year ended 31 December 2018.
- ▶ The Report uses the Core "in accordance" option of the GRI Standards.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the requirements of independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Main Engagement Procedures Completed

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Federation of Accountants (IFAC). The engagement included the following procedures:

- ▶ interviewing the Company's executives and employees responsible for sustainability policies, performance and results and for the preparation of relevant reporting;
- ▶ analysing the Company's key documents on sustainability policies, performance and reporting;
- ▶ understanding the Company's sustainability reporting process and other engagement circumstances by studying the sustainability reporting process;
- ▶ analysing stakeholder engagement by studying the results of a stakeholder survey;
- ▶ benchmarking the Report against sustainability reports prepared by certain national and international development banks and against a list of sustainability topics specific to the industry and mentioned by stakeholders;



Building a better working world

- ▶ studying mass media publications and corporate media publications on the Company's sustainability policies, events and performance for the year ended 31 December 2018;
- ▶ analysing material sustainability issues highlighted by VEB.RF;
- ▶ identifying sustainability issues deemed by the Company to be material in accordance with the above-mentioned procedures and analysing how such issues are disclosed in the Report;
- ▶ analysing selected data on the key indicators relating to HR management, environmental impacts, charity, environmentally and socially important investment projects for the year ended 31 December 2018 to confirm the due collection, preparation and consolidation of such data at the Company's level for the inclusion thereof in the Report;
- ▶ collecting evidence to confirm other qualitative and quantitative disclosures in the Report at the Company head office's level;
- ▶ assessing whether the Report and the process of its preparation are consistent with VEB.RF's principles of sustainability reporting;
- ▶ assessing whether the information and disclosures in the Report are consistent with the Core "in accordance" option of the GRI Standards.

14 June 2019

Assurance Engagement Client Information

Oleg Yushenkov
Partner
Ernst & Young LLC

Name: State Development Corporation VEB.RF

State Development Corporation VEB.RF was established through a reorganisation in the form of the transformation of the Bank for Foreign Economic Affairs of the USSR pursuant to Russian Federal Law No. 82-FZ of 17 May 2007 "On Bank for Development". Under Russian Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking", State Development Corporation VEB.RF shall have the right to conduct banking operations allowed by Russian Federal Law No. 82-FZ "On State Development Corporation 'VEB.RF'".

Registered in the Uniform State Register of Legal Entities on 8 June 2007 under State Registration Number 1077711000102. Address: 9, Prospekt Akademika Sakharova, Moscow, 107996, Russia;

Independent Auditor Information

Name: Ernst & Young LLC

Registered in the Uniform State Register of Legal Entities on 5 December 2002 under State Registration Number 1027739707203.

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& Young LLC is included into the control copy of the Register of Auditors and Audit Organisations under the main entry registration number 11603050648.

In a limited assurance engagement, the scope of evidence gathering procedures is less comprehensive than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Conclusion

Based on the procedures performed and the evidence received to obtain assurance, nothing has come to our attention that causes us to believe that the Report does not present fairly, in all material respects, the Company's sustainability policy, events and performance for the year ended 31 December 2018 as set out in the GRI Standards and the Company's sustainable development principles.

Furthermore, we have found no evidence that causes us to believe that the Report does not use the Core "in accordance" option of the GRI Standards.

Appendix 15

CONTACT DETAILS

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