



COMMUNICATION
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Moscow, 2020

CONTENTS

CHAIRMAN'S STATEMENT	6
KEY OPERATIONAL RESULTS IN 2019	10
VEB.RF Ratings	14
Highlights in 2019	15
VEB.RF'S STRATEGIC DEVELOPMENT GOALS	20
VEB.RF Entities	24
Involvement in Implementing the Presidential Decree	26
Coordination of Development Institutions	27
Contribution Towards the Sustainable Development Goals	29
VEB.PROJECTS	38
Financing for Investment Projects	38
Syndication Mechanism	40
Shipbuilding Projects	42
Project Financing Factory	43
PFF SPE Bond Issuance	46
PFF Digitalisation	46
Trade Finance in Investment Projects	47
Exit from Projects	47
Socially Significant Projects	49
Urban Economy and Integrated Urban Development	52
Supporting and Developing Single-Industry Towns (Monotowns)	56
Developing Infrastructure and Public-Private Partnerships	66
Leasing	71
SME Support	72
Export Support	73
Social Impact Bonds	86
Innovation and Digital Economy	90
Engineering	98
Developing the Far East and the Arctic	100
Developing Russian-Belarusian Economic Cooperation	107
SOCIO-ECONOMIC IMPACT OF PROJECTS	114
VEB.RF FOR THE GOVERNMENT	118
VEB.RF FOR SOCIETY	128
VEB.RF. EFFICIENT GOVERNANCE	154
VEB.PEOPLE	190
Human Resource Development	190
Personnel Training, Development and Evaluation	193
Social Programmes for Employees	198
Occupational Safety and Respect for Employee Rights	203
Corporate Culture	204

APPENDICES	210
Appendix 1. About the Report	210
Appendix 2. Index of GRI Disclosures in the Report Prepared in Accordance with the GRI Standards, the GRI Financial Services Sector Disclosures, and the Principles of the UN Global Compact	224
Appendix 3. Principles of the UN Global Compact	239
Appendix 4. Personnel of VEB.RF and VEB.RF Entities by Employment Contract, Employment Type, Employee Category and Gender	240
Appendix 5. Total Personnel and Personnel Turnover of VEB.RF and VEB.RF Entities in 2019 by Gender and Age	242
Appendix 6. Employees After Maternity and/or Parental Leave in 2019 and Employees with Unchanged Employment After Maternity and/or Parental Leave, by Gender	243
Appendix 7. Employee Performance Evaluation in 2019	245
Appendix 8. Occupational Injury Rate, Occupational Injury Ratio and Occupational Disease Ratio of VEB.RF and VEB.RF Entities	246
Appendix 9. Training in Anti-corruption Policies and Procedures in 2019	247
Appendix 10. Number of Reports, Including Complaints, Received from Employees, Customers and Partners of VEB.RF and VEB.RF Entities in 2019 and Handled Officially	248
Appendix 11. Ratios of the Standard Entry-Level Wage to the Local Minimum Wage as at 31 December 2019	249
Appendix 12. External Assurance of the Non-financial Report of VEB.RF and VEB.RF Entities 2019	250
Appendix 13. Feedback Form	253
Appendix 14. Contact Details	254





CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT



Dear Colleagues and Partners,

I would like to present to you the non-financial report of VEB.RF for 2019. As a development institution, we focus on the projects that have a positive impact on the economy, the environment and society as a whole. The report will show you the general outcomes of our investments and our contribution towards the UN Sustainable Development Goals and the national projects proposed by the Russian President.

We believe that a key area of development is the urban economy. If we build greener, more resilient and more economically successful cities, this will let us move faster towards the implementation of the entire global agenda. We now work to attract investment in public health, transport, roads and public utility infrastructure, increasing municipal energy and environmental efficiency and supporting local small and medium-sized enterprises.

To encourage private investment in these areas, we use a wide range of instruments, such as public-private partnerships, syndicated lending, guarantees and lease mechanisms. As a development institution, we provide

long-term financing at the investment stage, taking greater risk and helping commercial banks and investors with the projects. Together with our partners, we intend to participate in the next five years in financing projects totalling as much as RUB10tn with VEB.RF's commitment of about RUB3tn. Urban projects will be a key component of our portfolio.

Our investments have already resulted in changing quality of life in Russian cities. More than 400 Russian-made modern buses came into service in Tver. New airports were opened in Saratov and Khabarovsk. Residents of Sakhalin received new railbuses. The new M-11 Moscow–Saint Petersburg highway was built with VEB.RF's financial support to connect Russia's main cities. VEB.RF is involved in financing Phase 4 of the Central Ring Road. State-of-the-art energy-from-waste plants are also under construction in the Moscow Region. The project will be extended to other Russian regions.

The strategic goal of VEB.RF is to become a leader in financing sustainable development. Our investment and day-to-day activities are based on the most advanced approaches, from developing green financing standards to organising office operations and procedures in Moscow and Voronezh.

In 2019, we strengthened cooperation with national and multilateral development banks. Together with our partners, we promote the idea of economic integration in the Greater Eurasia area and are actively involved with the Eurasian Economic Union, the Shanghai Cooperation Organisation and BRICS. During the Russia-Africa Economic Forum in Sochi, VEB.RF and VEB.RF entities signed several cooperation agreements. We work towards closer cooperation with our Asian and Latin American partners.

I hope that the non-financial report will provide you with useful information about our activities and let you know how VEB.RF and its partners in the public and private sectors contribute to sustainable development.

Yours sincerely,
Igor Shuvalov
Chairman, VEB.RF





KEY OPERATIONAL RESULTS IN 2019



KEY OPERATIONAL RESULTS IN 2019¹

Capital RUB:

427.6

bn

Assets RUB:

3177.4

bn

Loan portfolio RUB:

1128.8

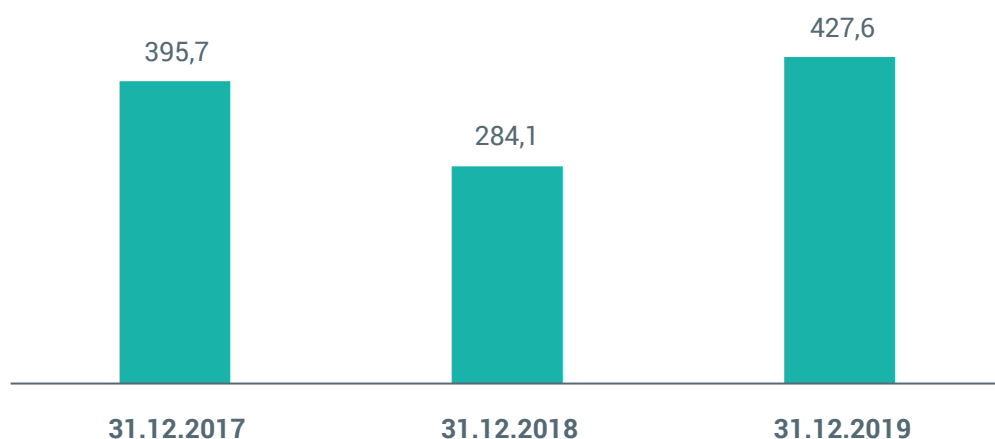
bn²

"The development institution ended 2019 with a financial cushion, reaching a comfortable level of liquidity and raising the capital adequacy ratio to over 13% (at the required ratio of 10%). Capital grew by more than 143 billion roubles."

Andrey Moskovskikh
Financial Director and Senior Vice-President, VEB.RF

CAPITAL OF VEB.RF AND VEB.RF ENTITIES

RUB bn



Our net operating income was RUB58.2bn in 2019 against a net operating loss of RUB11.0bn in 2018.

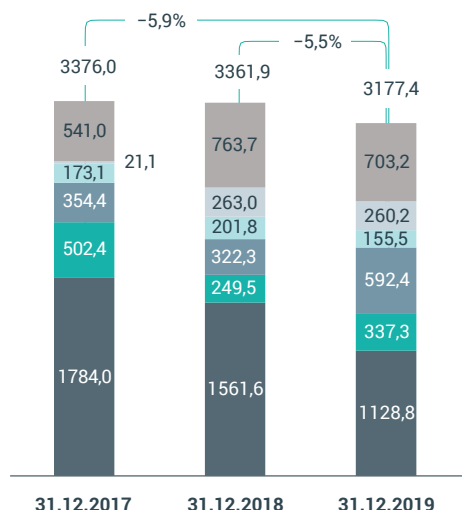
Assets decreased by RUB184.5bn (-5.5%) due to a reduction in the loan and lease portfolio and in assets of disposal groups and non-current assets held for sale.

¹ According to the consolidated financial statements of State Development Corporation VEB.RF and its subsidiaries for the year ended 31 December 2019 (<https://xn--90ab5f.xn--p1ai/files/?file=3c59adab117e855fd700df3ccc51005b.pdf>).

² Loan portfolio net of the allowance for expected credit losses. The loan portfolio before provisioning for expected credit losses was RUB1,587.1bn.

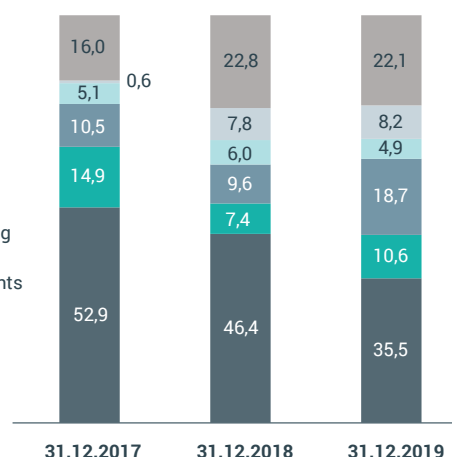
ASSET STRUCTURE

RUB bn



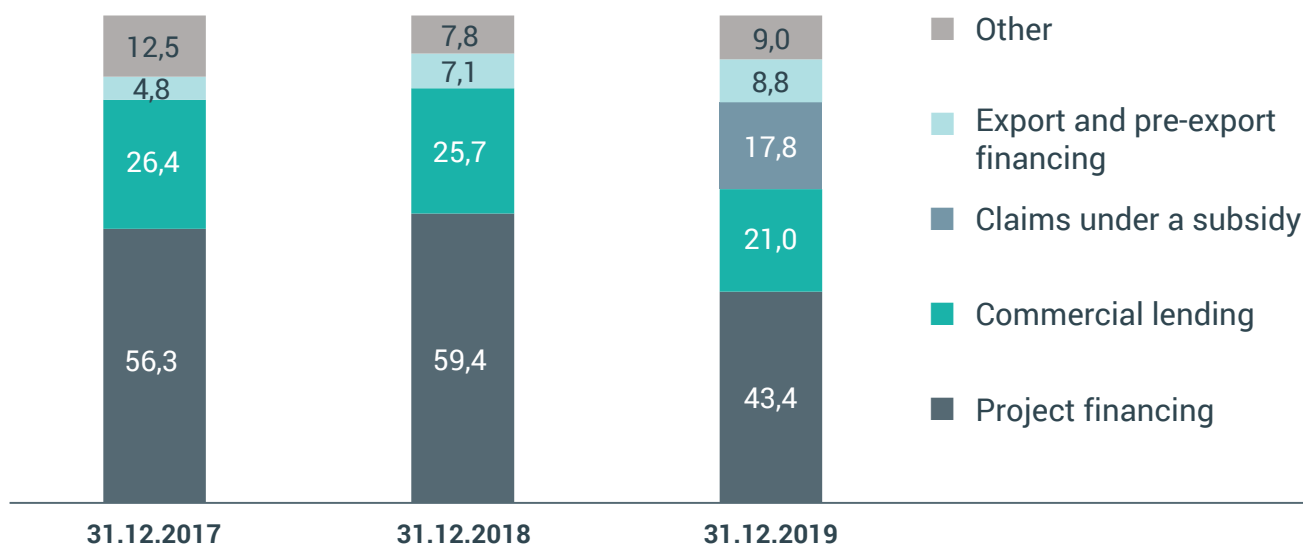
ASSET STRUCTURE

% of total assets



LOAN PORTFOLIO STRUCTURE ***

% of total loans



* Loan portfolio before provisioning for expected credit losses..

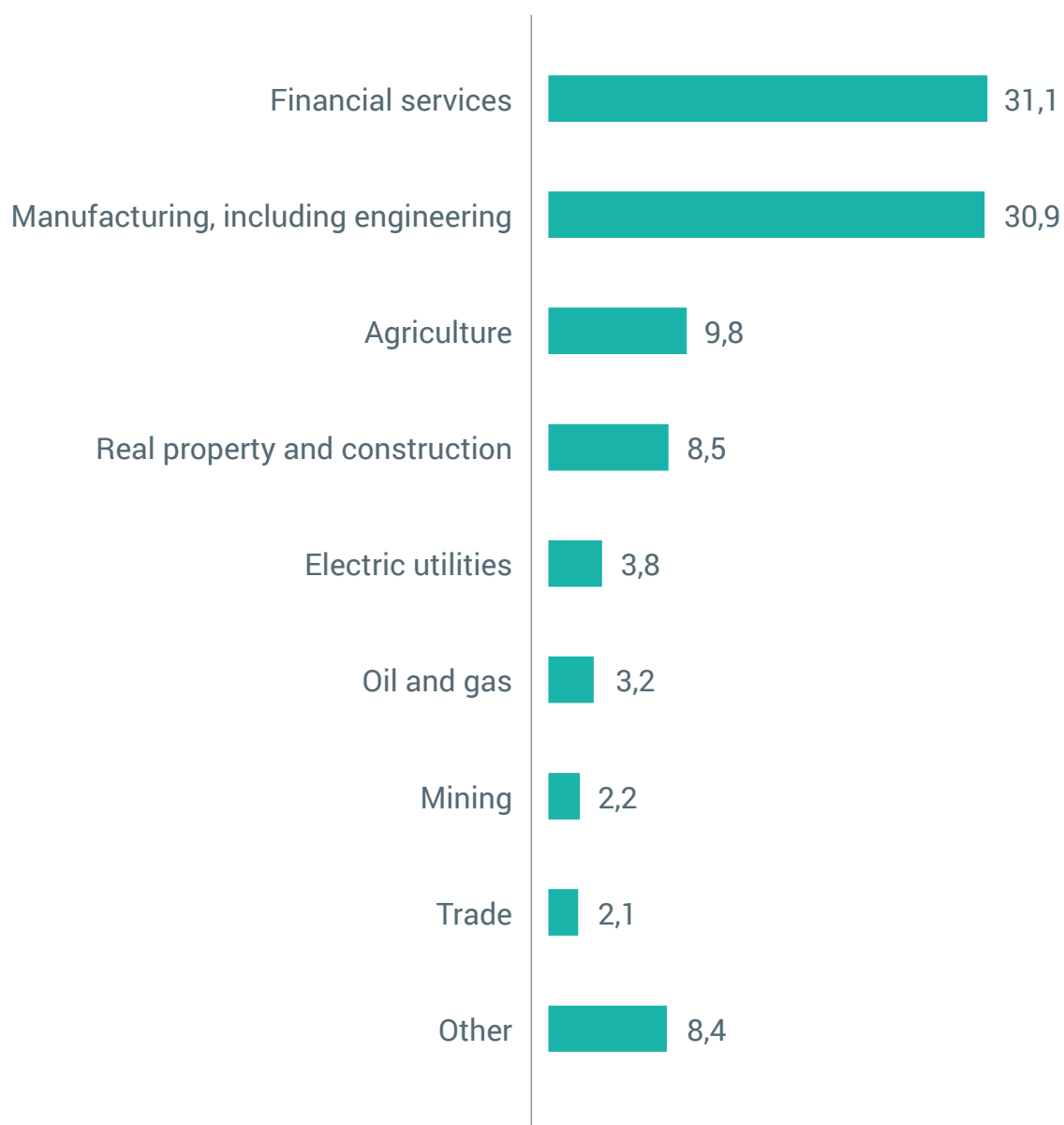
** In the reporting period, changes in the loan portfolio structure were largely due to the disposal of Svyaz-Bank, resulting in the decreased share of commercial lending (including retail lending). The claims under a subsidy in the loan portfolio resulted from government support in project financing; the total change in the share of these two components was less than two percentage points in the reporting period.

Companies operating in the following sectors made up a significant proportion of the loan portfolio in absolute terms:

- financial services (RUB493.2bn);
- manufacturing, including engineering (RUB490.3bn);
- agriculture (RUB156.3bn).

LOAN PORTFOLIO STRUCTURE BY INDUSTRY *

% of total loans

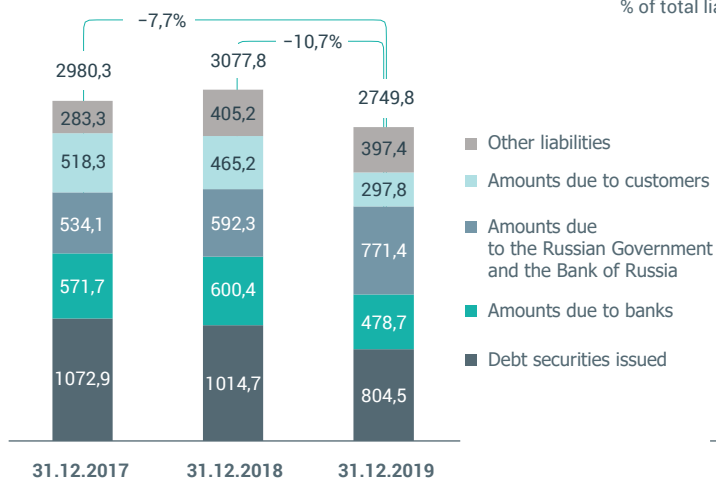


* Loan portfolio before provisioning for expected credit losses.

VEB.RF's and VEB.RF entities' liabilities totalled RUB2,749.8bn as at 31 December 2019, or RUB328.0bn down from the beginning of the year (-10.7%). The main reasons were decreases in amounts due to banks, debt securities issued and amounts due to customers as a result of the disposal of Svyaz-Bank. After the end of 2018, the share of amounts due to banks and debt securities issued went down to 46.7%.

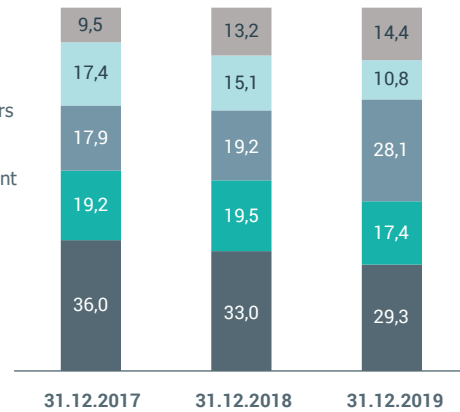
LIABILITY STRUCTURE

RUB bn



LIABILITY STRUCTURE

% of total liabilities



Six issues of exchange-traded bonds with a total par value of RUB70bn were placed in 2019.

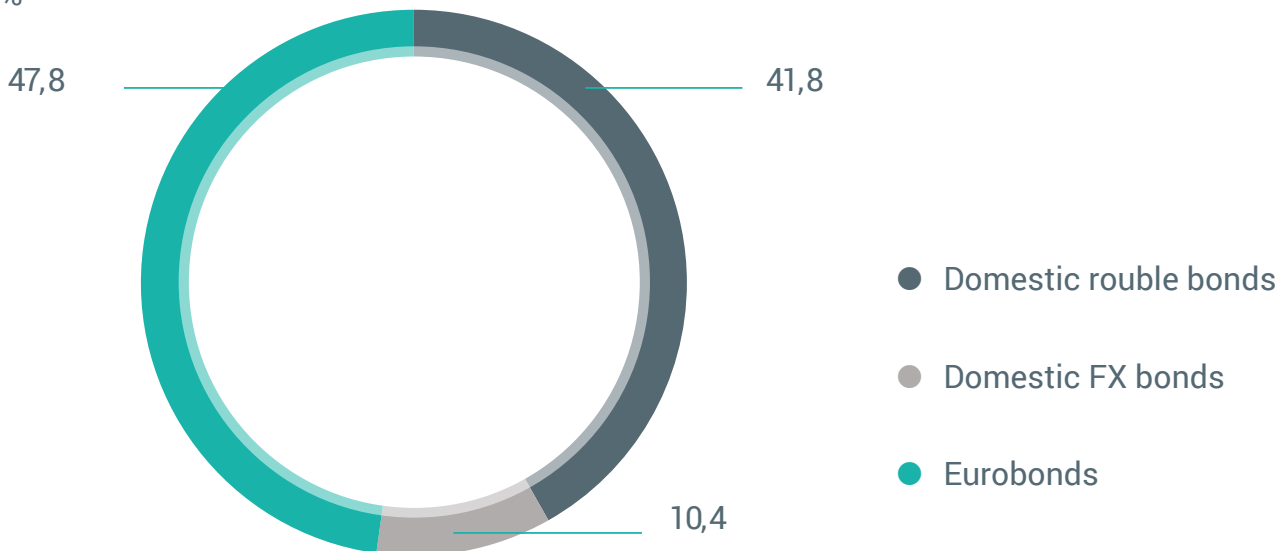
Three issues of exchange-traded bonds with a total par value of RUB60bn were redeemed in the reporting period.

As at 31 December 2019, there were five issues of outstanding short-term bonds with a total par value of RUB11.1bn.

VEB.RF was one of the largest issuers in the domestic debt market at year-end 2019.

PUBLIC DEBT BY SOURCE

%



VEB.RF Ratings³

Agency	Rating	Level ⁴	Outlook
AKPA	National credit rating	AAA(RU) (12.07.2017 / 11.07.2019)	Stable (12.07.2017 / 11.07.2019)
	Long-term issuer default rating in foreign currency	BBB (19.08.2019 / 11.11.2019)	Stable (19.08.2019 / 11.11.2019)
Fitch Ratings	Long-term issuer default rating in national currency	BBB (19.08.2019 / 11.11.2019)	Stable (19.08.2019 / 11.11.2019)
	Short-term issuer default rating in foreign currency	F2 (19.08.2019 / 11.11.2019)	
STANDARD & POOR'S	Long-term credit rating for commitments in foreign currency	BBB (27.02.2018 / 24.07.2019)	Stable (27.02.2018 / 24.07.2019)
	Long-term credit rating for commitments in national currency	BBB (27.02.2018 / 24.07.2019)	Stable (27.02.2018 / 24.07.2019)
	Short-term credit rating for commitments in foreign currency	A-3 (27.02.2018 / 24.07.2019)	
	Short-term credit rating for commitments in national currency	A-2 (27.02.2018 / 24.07.2019)	
	Long-term issuer credit rating in foreign currency	Baa3 (12.02.2019 / 12.02.2019)	Stable (12.02.2019 / 12.02.2019)
MOODY'S	Long-term issuer credit rating in national currency	Baa3 (12.02.2019 / 12.02.2019)	Stable (12.02.2019 / 12.02.2019)
	Short-term issuer credit rating in foreign currency	P-3 (12.02.2019 / 12.02.2019)	
	Short-term issuer credit rating in national currency	P-3 (12.02.2019 / 12.02.2019)	
	Short-term issuer credit rating in national currency	P-3 (12.02.2019 / 12.02.2019)	

³ As at 31 December 2019.⁴ Rating assignment date/rating affirmation date (latest rating action).

Highlights in 2019

January	VEB.RF becomes a co-organiser of a pilot multi-originator securitisation transaction for a portfolio of loans given to small and medium-sized enterprises
February	At the Russian Investment Forum in Sochi, the Development Prize established by VEB.RF is awarded
March	The integrated service centre of development institutions is launched in Voronezh to perform some functions outsourced by VEB Service
April	VEB.RF, REC and the Russian Ministry of Industry and Trade sign a memorandum to work together to build up a common export promotion system
May	VEB.RF representatives take part in a session of the UN-Habitat Assembly in Nairobi, Kenya. VEB.RF and the National Bank of the Republic of Uzbekistan for Foreign Economic Activity (NBU) enter into a loan agreement to finance the supply of Russian high-technology equipment, materials and services
June	VEB.RF, the FEDF, the Higher School of Economics and the Government of the Republic of Sakha (Yakutia) sign a package of agreements to carry out Russia's first pilot SIB project in education. VEB.RF Chairman Igor Shuvalov is elected Chairman of the SCO Interbank Association for 2020
July	VEB.RF, Gazprombank and Sberbank sign a syndicated loan agreement with Baikal Mining Company for Udokan copper deposit development in the Trans-Baikal Territory The Russian President signs the Federal Law "On Amendments to Certain Legislative Acts of the Russian Federation", clarifying the powers of VEB.RF
August	During a roadshow in China, VEB.RF's delegation presents the largest Russian-based projects to Chinese investors
September	Russian President Vladimir Putin inaugurates a new terminal of Khabarovsk International Airport
October	VEB.RF and Afreximbank agree on the general terms and conditions of VEB.RF's participation in the Afreximbank trade promotion programme as a confirming bank
November	VEB.RF and Baltic Chemical Complex sign a loan agreement to finance the initial stage of Russia's largest gas-to-chemicals project in the Leningrad Region near the seaport of Ust-Luga. The new M-11 Moscow–Saint Petersburg highway built with VEB.RF's financial support is opened. The opening ceremony is attended by Russian President Vladimir Putin

December

VEB.RF, together with a syndicate of Russian, European and Chinese lenders, signs an agreement to finance the construction of Amur Gas Processing Plant

The VEB.RF team takes the top prize of the first National Leasing Award "Leasing Deal of the Year"

VEB.RF and Gazprombank make a joint presentation of the first PFF SPE bond issue intended to finance projects under the Project Financing Factory programme





VEB.RF'S STRATEGIC DEVELOPMENT GOALS



VEB.RF'S STRATEGIC DEVELOPMENT GOALS



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 26 July 2019).

The primary objective is to contribute to Russia's long-term economic growth. In partnership with commercial banks, VEB.RF provides financing for large-scale projects to develop the country's infrastructure, industrial production and social sphere, strengthen its technological potential and improve the quality of life.

The highest governing body of VEB.RF is the Supervisory Board chaired by the Russian Prime Minister. In accordance with the Memorandum on Financial Policies, VEB.RF is involved in national projects aimed at implementing 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 operating principles include activities without competition with commercial banks, transparency and break-even performance in project financing.

In 2018, the Supervisory Board of VEB.RF approved a new business model aimed at attaining Russia's strategic development priorities 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".

The business model is based on the new Memorandum on Financial Policies of VEB.RF and Federal Law No. 82-FZ "On State Development Corporation 'VEB.RF'" (as amended on 26 July 2019). VEB.RF's main task is to support the Russian economy by financing strategic projects.

The implementation of significant projects contributes to diversifying the Russian economy and enhancing its efficiency. Environmentally compliant economic modernisation gives impetus to social development.

⁵ <https://вэб.рф/o-banke/normativno-pravovaya-baza/>

⁶ <https://вэб.рф/upload/iblock/7ba/7ba110394675f7e342451b42e7981ae8.pdf>.

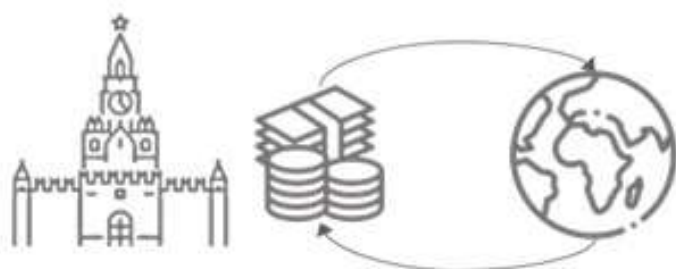
VEB.RF'S ROLE



- 1** | Financing for strategically significant development projects (including co-investment)



- 2** | Coordination of other development institutions



- 3** | Agent for the Russian Government (servicing of Russia's external debt)

Expected results of the successful implementation of VEB.RF's business model until 2024

AREAS OF INVESTMENT

MUNICIPAL ECONOMY

INFRASTRUCTURE

INDUSTRIES WITH HIGH
EXPORT POTENTIAL / IMPORT
SUBSTITUTION

TARGETS

RUB3tn*

financing until 2024

RUB9tntotal investment, including
co-financing**~1% of GDP**annual contribution of
VEB.RF-supported projects**6%**VEB.RF's annual contribution
to total investment

* Including RUB200bn in guarantees

Implementing the business model will require additional capitalisation for VEB.RF in order to ensure the planned growth of the portfolio, along with public funding for new transactions and interest rate subsidies for certain projects of national importance with concessionary financing rates.

The new level of collaboration with the Russian Ministry of Finance, the Russian Ministry of Economic Development and the Bank of Russia allows VEB.RF to take consistent steps to implement the development agenda. Decisions to support VEB.RF, both in respect of lending to new projects and in respect of servicing external debt, are implemented without delay. VEB.RF is transparent and stable, and what we do for economic development is predictable and overt. VEB.RF is the largest platform for breakthrough projects that create jobs and make qualitative changes to the lives of Russians. VEB.RF's sources used for project financing are diversified.

Pillars of VEB.RF's business model

PILLAR

DESCRIPTION

Maximising the total amount of financing for development projects



- VEB.RF gives **priority to projects with the greatest multiplying effect** (new infrastructure and new production, increased competitiveness, improved urban environment)
- Other financial institutions are actively involved in project **co-financing**

Working without competition with commercial banks and other financial institutions



- VEB.RF supports projects that **can be financed by commercial financial institutions using their own resources but are currently low on their list of priorities** (for instance, due to a long payback period or a low rate of return) if such projects **are important for Russia's economic development** (new industries and competencies)
- **VEB.RF does not intend to offer standard banking products** (such as deposits and working capital financing) in competition with commercial banks

Delivering the necessary financial result



- **Break-even performance** in the target model should be achieved **for the entire portfolio** within the average cycle (3–4 years) and with interest rate subsidisation
- **Project and financial risks are minimised** through the use of adequate **project structuring, operational control, public capital grants and marketing outlets**

VEB.RF did considerable work in 2019 to formulate and introduce its new business model. Ten strategic projects were selected in order to achieve the goals:

- 1) Introduce a project-based approach into operations;
- 2) Optimise the lending and investment process;
- 3) Synchronise the customer and partner coverage models;
- 4) Adjust work in the Urban Economy area;
- 5) Strengthen horizontal communications;
- 6) Fine-tune external communications;
- 7) Reach a new level of automation within VEB.RF;
- 8) Ensure operational efficiency;
- 9) Optimise the team incentive system;
- 10) Create result-oriented corporate culture.

More than 15 cross-functional seminars and strategic sessions were held in 2019, involving employees of VEB.RF and coordinated development institutions (Russian Export Center, RSMB Corporation, DOM. RF), with over 85% of VEB.RF's personnel covered. The events included informing employees about the strategic goals for the period until 2024 (in accordance with the business model). Potential obstacles to reaching the goals were identified, and the key requirements for the business model and corporate culture were formulated.

Activities in the area of corporate social responsibility (CSR) are consistent with VEB.RF's strategic interests and, together with the principles of transparent business conduct, contribute to trust-based relationships with customers and society as a whole.

The activities of VEB.RF and VEB.RF entities affect the interests of a wide range of stakeholders and have a material impact on the development of economic sectors and regions. This results in VEB.RF's special responsibility for improving quality of life and protecting the environment, which requires a balanced approach to corporate management.

VEB.RF Entities

Russian Export Center

Head office: Moscow
Share capital: RUB71.240bn
VEB.RF's share: 100%
Number of employees: 515



Russian Export Center (REC) is a state development institution supporting non-resource exports and offering a wide range of financial and non-financial support measures to Russian exporters. The REC Group includes the Export Insurance Agency of Russia (EXIAR) and EXIMBANK OF RUSSIA.

InfraVEB

Head office: Moscow
Share capital: RUB4.928bn
VEB.RF's share: 100%
Number of employees: 76



VEB Infrastructure (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.

MONOTOWNS.RF

Head office: Moscow
Sole founder's (VEB.RF's) contribution: RUB0.016bn
Number of employees: 90



The Monotowns Development Fund (MONOTOWNS.RF) works to create the necessary conditions for new jobs and investment in Russian single-industry municipalities (monotowns), along with improvements to the urban environment.

Far East Development Fund

Head office: Moscow
Share capital: RUB40.145bn⁷
VEB.RF's share: 100%
Number of employees: 76



The Far East Development Fund (FEDF) works to encourage investment in the Far East and the Arctic by providing concessional and long-term financing under priority investment projects in various industries (infrastructure, mineral mining and processing, SME support, agriculture etc).

VEB Engineering

Head office: Moscow
Share capital: RUB0.456bn⁸
VEB.RF's share: 100%
Number of employees: 56



VEB Engineering provides project support services for VEB.RF and VEB.RF entities and performs the functions of a supervisory company engaged by VEB.RF's borrowers. VEB Engineering's mission is to develop an engineering ecosystem and improve the quality of VEB.RF's projects.

VEB Innovations

Head office: Moscow
Share capital: RUB5.3bn
VEB.RF's share: 100%
Number of employees: 46



VEB Innovations (rebranded as VEB Ventures) provides support for high-technology projects by transacting directly or managing venture capital funds. Its priorities include using internal resources or private and public investment to finance high-potential companies and helping Russian start-ups to gain entry into international markets.

⁷ Increased by RUB21.73bn compared with 2018.

⁸ Increased by RUB0.118bn compared with 2018.

Bank BelVEB

Head office: Minsk, Belarus
 Share capital: RUB13.896bn⁹
 VEB.RF's share: 97.52%
 Number of employees: 1,634¹⁰



Bank BelVEB is a universal credit and financial institution ranking among Belarusian leading commercial banks for international payments and FX transactions, supporting public and corporate foreign economic activities and having many years of experience and a well-deserved reputation across the foreign and domestic currency markets.

Federal Law No. 249-FZ of 26 July 2019 "On Amendments to Certain Legislative Acts of the Russian Federation" added provisions to paragraph 13 of Part 4 of Article 3 of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended on 26 July 2019), authorising VEB.RF to exercise the powers of the sole executive bodies of VEB.RF entities (except for credit institutions and non-bank institutions) and corporate entities (except for credit institutions and non-bank institutions) that are business entities and are deemed under Russian legislation to be controlled by VEB.RF entities. This non-financial report does not disclose information about VEB Capital and VEB-Leasing because their functions were transferred to VEB.RF; the powers of the sole executive bodies of VEB Capital and VEB-Leasing were transferred to a management organisation, VEB.RF, on 25 October 2019 and 12 November 2019 respectively.

VEB Service was set up to make payments, render administrative services and provide procurement support for VEB.RF. In 2019, as part of the reorganisation aimed at removing bureaucratic barriers, eliminating overlapping functions, accelerating business processes and streamlining document management, a large number of VEB Service's functions were outsourced to the integrated service centre of development institutions in Voronezh. Therefore, this non-financial report does not disclose information about VEB Service.

As resolved by the Supervisory Board, VEB.RF transferred shares in Svyaz-Bank to the Federal Agency for State Property Management of the Russian Federation in September 2019. Therefore, this non-financial report does not disclose information about Svyaz-Bank.

Prominvestbank did not have a significant effect on VEB.RF's core activities in 2019. Therefore, this report does not disclose information about Prominvestbank.

VEB Innovations Fund did not have a significant effect on VEB.RF's core activities in 2019. Therefore, this report does not disclose information about VEB Innovations Fund.

⁹ Unchanged at BYN473.057mn compared with 2018. The amount specified in the 2018 non-financial report (RUB15.197bn) changed due to a change in the Russian rouble to Belarusian rouble exchange rate.

¹⁰ The number of employees decreased by 411 compared with 2018 due to the implementation of the bank's strategy to transform the traditional bank into a fintech company, digitalise its business and consequently rightsize its staff.

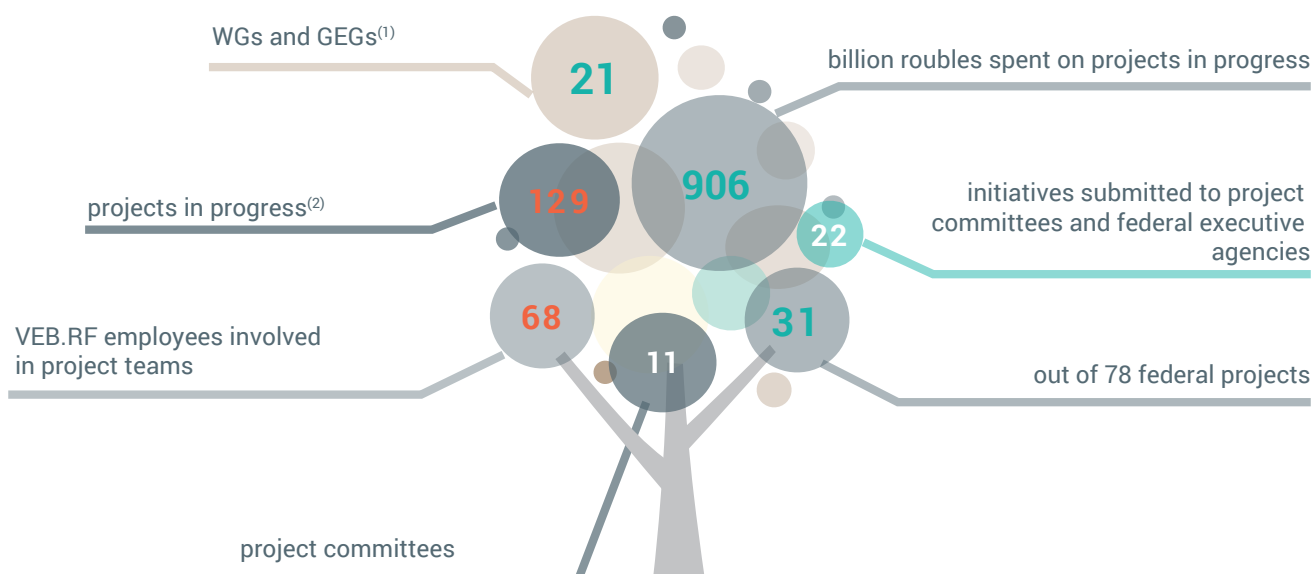
Involvement in Implementing the Presidential Decree

Participation in implementing 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" is a priority for VEB.RF as a development institution.

Represented in all working bodies of the Russian Government, VEB.RF was involved in all national projects in the reporting period and took an active part in most events held by the Government.



FACTS AND FIGURES ABOUT VEB.RF'S INVOLVEMENT IN NATIONAL PROJECTS IN 2019

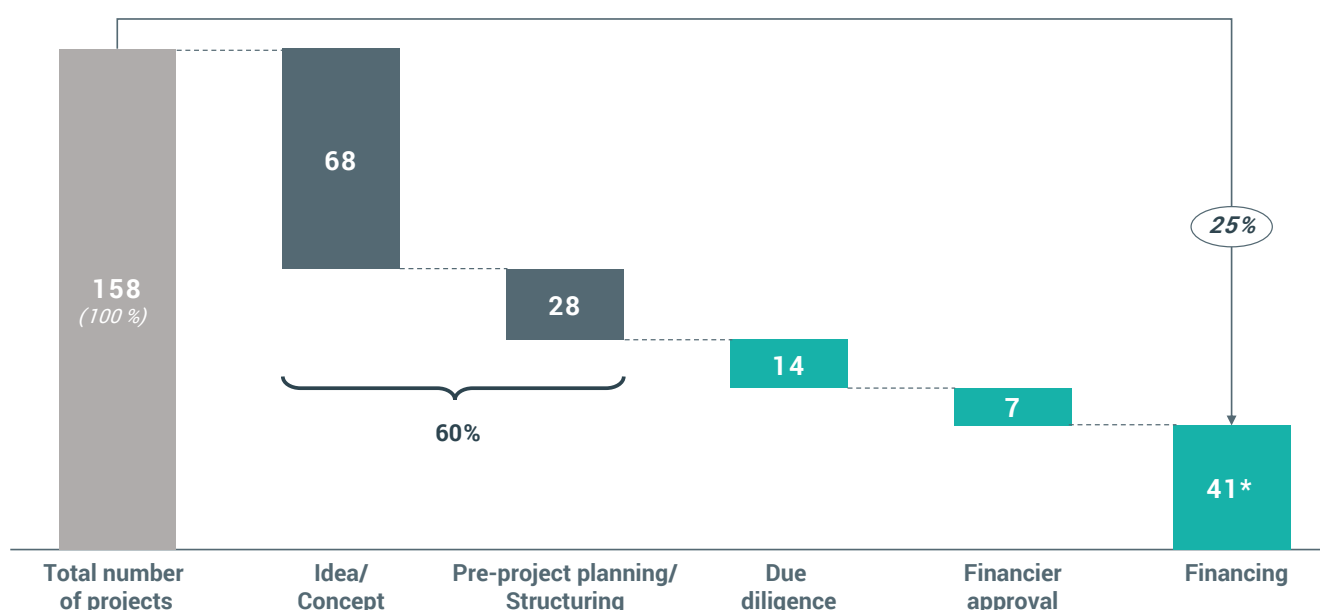


¹¹ working groups and subgroups of the State Council; government expert groups.

¹² excluding the International Cooperation and Export national project.

In 2019, the Supervisory Board of VEB.RF approved a whole range of important investment projects for the chemical, agricultural, aircraft, shipbuilding, transport and environmental protection sectors. Some of the projects use the Project Financing Factory mechanism. This programme attracted about RUB0.5tn to the country's economy. The projects are to create new roads, airports and quality of life standards in Russian cities. Overall, VEB.RF is ready to provide financing of RUB3tn under national projects until 2024. VEB.RF and the coordinated organisations invest in high-technology companies that strengthen the country's economic sovereignty.

PROJECT STATUS



* Information on the International Cooperation and Export national project covers only the projects (30) implemented in 2019 with subsidies under the Industrial Export federal project.

Coordination of Development Institutions

As resolved by the Russian Government, VEB.RF coordinates operations of development institutions, including Russian Export Center, DOM.RF and RSMB Corporation, in relation to ensuring the country's long-term socio-economic development.

VEB.RF and the development institutions signed agreements to coordinate their activities and/or cooperate with each other:

- agreement of 8 February 2019 with RSMB Corporation to facilitate the long-term socio-economic development of the Russian Federation, help small businesses and support entrepreneurial initiative;
- agreement of 14 February 2019 among VEB.RF, RSMB Corporation, Russian Export Center, DOM.RF and Mail.ru to create an electronic platform for functional communication between the development institutions;
- agreement with Russian Export Center in relation to operations in foreign countries;
- agreement of 23 July 2019 to help the development institutions to cooperate in the area of procurement.



A board of treasurers was formed to coordinate the financial policies of the development institutions. The coordinating board included CFOs, treasurers and risk managers of VEB.RF and other institutions. VEB.RF can act as a market maker for securities issued by the development institutions, conduct associated repo transactions or take on some risk management functions.

For example, in the case of REC, coordination with VEB.RF makes it possible to obtain better conditions in the financial markets, reduce operational risk and settle the issue of competition. In the case of DOM.RF, cooperation makes it possible to regularly receive information about liquid assets of project participants.

VEB.RF, DOM.RF, REC and RSMB Corporation formed a coordinating (expert) board on risk management, where each of the development institutions has equal representation and share best practices. Operational risk management procedures are applied in accordance with the Operational Risk Management Standard of Development Institutions.

The development institutions set up a working group on urban development, and VEB.RF formed a working group on the urban economy.

VEB.RF, REC, DOM.RF, RSMB Corporation, MONOTOWNS.RF, SME Bank, EXIMBANK OF RUSSIA, VEB Innovations (VEB Ventures) and the FEDF jointly launched a financial marketplace, Razvivay.rf (Развивай.рф). The project was initiated by VEB.RF, and Mail.ru Group became the project's technology partner.

развивай.рф

The Razvivay.rf platform is designed for small and medium-sized enterprises and large companies. Its purpose is to make the procedure for obtaining financial support from development institutions more accessible to businesses. Razvivay.rf users can receive information from one source about the terms of financing offered by different organisations.

The objectives that the platform are as follows:

- accumulate data about financial services of development institutions;
- simplify the search for funding and related products;
- select financial services that meet the needs of users.

Users can use an aggregator of products available to businesses, from individual entrepreneurs to major companies. This functionality is accessible through a simple catalogue or through the smart selection by Taxpayer Identification Number. The offered products include project financing, loans, guarantees, export insurance etc. Razvivay.rf users can apply for advice or request a product that will be provided by the platform's partners.

Contribution Towards the Sustainable Development Goals

UN Sustainable Development Goals

As a government-controlled financial institution for development, VEB.RF works to facilitate Russia's economic and social development and has a substantial impact on well-being and environmental protection, primarily through investment projects.¹³

VEB.RF is fully aware of its responsibility to the government and society and strongly committed to attaining the UN Sustainable Development Goals (UN SDGs).¹⁴

The working group responsible for the non-financial report of VEB.RF and VEB.RF entities met in 2019 to agree on the main UN SDGs that were affected by VEB.RF and VEB.RF entities to the greatest extent.

¹³ Detailed information can be found in "Socio-economic Impact of Projects".



¹⁴ On 25 September 2015, United Nations member states adopted the 2030 Agenda for Sustainable Development, outlining the 17 goals designed to end poverty, conserve the planet's resources and promote well-being for all. Each goal contains specific indicators that should be attained within 15 years.

Contribution of VEB.RF and VEB.RF entities to achieving the UN SDGs

UN SDGs	Key impacts	Sections of the report disclosing the key impacts
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> – Healthcare development projects are an important area of the investment policies of VEB.RF and some VEB.RF entities. Such projects are now part of activities related to facilitating integrated urban development, supporting and developing monotowns and ensuring the focused implementation of socially significant projects – Corporate charity and sponsorship projects of VEB.RF and VEB.RF entities traditionally include support for the healthcare sector – Care for employees' health is a focus area of the HR policy. This area includes ensuring environmental safety in the workplace, carrying out social programmes for employees and occupational safety 	<ul style="list-style-type: none"> – Socially Significant Projects – Urban Economy and Integrated Urban Development – Supporting and Developing Single-Industry Towns (Monotowns) – Corporate Charity and Sponsorship – Administrative Practices – Social Programmes for Employees – Occupational Safety and Respect for Employee Rights
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> – Some investment projects of VEB.RF and VEB.RF entities are directly aimed at developing the Russian education using advanced technologies and making high-quality education more accessible in the country. – VEB.RF and VEB.RF entities also pay particular attention to improving entrepreneurial literacy and developing competencies among young people under special educational programmes for the target audience – Helping employees to realise their potential, improving their competencies and increasing their value in the job market take place under comprehensive corporate training and development programmes 	<ul style="list-style-type: none"> – Urban Economy and Integrated Urban Development – Supporting and Developing Single-Industry Towns (Monotowns) – Social Impact Bonds – Export Support – Innovation and Digital Economy – Educational Programmes for Entrepreneurs and Young People – Personnel Training, Development and Evaluation
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> – VEB.RF and VEB.RF entities ensure equal rights for their employees, including gender equality 	<ul style="list-style-type: none"> – Human Resource Development

UN SDGs	Key impacts	Sections of the report disclosing the key impacts
 <p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> - Investment projects implemented by VEB.RF and VEB.RF entities to develop modern cities include building up modern and environmentally friendly public utility systems 	<ul style="list-style-type: none"> - Urban Economy and Integrated Urban Development - Supporting and Developing Single-Industry Towns (Monotowns)
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> - Facilitating the development of the energy sector and municipal power networks is a focus area of the investment activities of VEB.RF and VEB.RF entities. VEB.RF and VEB.RF entities focus their efforts on supporting best available techniques in this area 	<ul style="list-style-type: none"> - Financing for Investment Projects - Supporting and Developing Single-Industry Towns (Monotowns) - Export Support
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> - A substantial number of investment projects implemented by VEB.RF and VEB.RF entities have a positive impact on the local economy through job creation and additional local tax payments - VEB.RF and VEB.RF entities ensure competitive pay and decent working conditions for their employees, putting a strong focus on occupational safety and employee health programmes 	<ul style="list-style-type: none"> - Syndication Mechanism - Project Financing Factory - Supporting and Developing Single-Industry Towns (Monotowns) - SME Support - Export Support - Developing the Far East and the Arctic - Social Programmes for Employees - Occupational Safety and Respect for Employee Rights - Appendix 8 - Appendix 12
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> - In partnership with commercial banks, VEB.RF and VEB.RF entities provide financing for large-scale projects to develop the country's infrastructure, industrial production and social sphere, strengthen its technological potential and improve the quality of life 	<ul style="list-style-type: none"> - Financing for Investment Projects - Syndication Mechanism - Shipbuilding Projects - Project Financing Factory - Socially Significant Projects - Urban Economy and Integrated Urban Development - Supporting and Developing Single-Industry Towns (Monotowns) - Developing Infrastructure and Public-Private Partnerships - Leasing - Innovation and Digital Economy - Developing the Far East and the Arctic

UN SDGs	Key impacts	Sections of the report disclosing the key impacts
 <p>10 REDUCED INEQUALITIES</p>	<ul style="list-style-type: none"> - VEB.RF and VEB.RF entities contribute to redressing economic and social inequality in Russian regions and different social groups by supporting single-industry towns and territories in the Far East and the Arctic. In addition, support for Russian exports and international cooperation make it possible to establish closer ties with other countries, thus contributing to their economic and social development - Corporate volunteering projects are aimed at helping socially vulnerable groups 	<ul style="list-style-type: none"> - Supporting and Developing Single-Industry Towns (Monotowns) - SME Support - Export Support - Developing the Far East and the Arctic - Corporate Volunteering
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> - Developing the urban economy, improving the quality of life in Russian cities and creating urban ecosystems are priorities for VEB.RF, Russian Export Center, MONOTOWNS.RF and the Far East Development Fund 	<ul style="list-style-type: none"> - Syndication Mechanism - Urban Economy and Integrated Urban Development - Supporting and Developing Single-Industry Towns (Monotowns) - Developing Infrastructure and Public-Private Partnerships - Leasing - Developing the Far East and the Arctic
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> - All projects carried out by VEB.RF and VEB.RF entities are thoroughly checked for compliance with the environmental and social requirements set forth in Russian legislation and VEB.RF's internal regulations. In addition, most of VEB.RF's projects meet international green finance standards - VEB.RF entities provide, inter alia, environmental consulting services, including developing methodologies and procedures for the social and environmental assessment of whether organisations and investment projects adhere to sustainability principles - In their administrative practices, VEB.RF and VEB.RF entities are committed to implementing best practices in corporate social responsibility and reducing their own ecological footprint - VEB.RF annually publishes non-financial reports covering VEB.RF and VEB.RF entities 	<ul style="list-style-type: none"> - Syndication Mechanism - Urban Economy and Integrated Urban Development - Supporting and Developing Single-Industry Towns (Monotowns) - Engineering - Administrative Practices - Appendix 1

UN SDGs	Key impacts	Sections of the report disclosing the key impacts
	<ul style="list-style-type: none"> - All projects carried out by VEB.RF and VEB.RF entities are thoroughly checked for compliance with the environmental and social requirements set forth in Russian legislation and VEB.RF's internal regulations. In addition, most of VEB.RF's projects meet international green finance standards - In their administrative practices, VEB.RF and VEB.RF entities are committed to implementing best practices in corporate social responsibility and reducing their own ecological footprint 	<ul style="list-style-type: none"> - International Cooperation - Administrative Practices
	<ul style="list-style-type: none"> - The coordination of Russian development institutions, cooperation with private investors in investment projects, and the development of public-private partnerships are incorporated into the strategy and business model of VEB.RF - VEB.RF and VEB.RF entities are traditionally active in cooperating with the international community, primarily with international development institutions, joining forces with them to improve the socio-economic efficiency of different countries 	<ul style="list-style-type: none"> - Involvement in the UN Global Compact - Project Financing Factory - Supporting and Developing Single-Industry Towns (Monotowns) - Developing Infrastructure and Public-Private Partnerships - Export Support - Social Impact Bonds - Developing Russian-Belarusian Economic Cooperation - International Activities

Involvement in the UN Global Compact

As the leading national development institution, VEB.RF is active in promoting sustainability principles across the business community. Therefore, VEB.RF places a particular emphasis on its involvement in the United Nations Global Compact (UNGC), the largest international initiative on corporate social and environmental responsibility and sustainability. VEB.RF joined the UNGC in 2011.



The efforts in this area now become particularly important, taking into account the list of instructions approved by the Russian President following a meeting of the State Council discussing environmental development in the Russian Federation in the interests of future generations (Pr-140GS of 24 January 2017) and with due consideration 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".

Membership of the UNGC helps VEB.RF to gain the greater confidence of the business community and a better reputation and has a positive impact on the assessment of the risks associated with its activities. The UNGC enables VEB.RF not only to maintain its global image as the leading Russian development institution, but also to share experience with development institutions and business partners in sustainability projects.

In July 2019, a representative VEB.RF spoke at a meeting of the United Nations High-level Political Forum on Sustainable Development (HLPF), which was held under the authority of the Economic and Social Council. The report emphasised that VEB.RF was firmly committed to the principles of the UN Global Compact and active in contributing to the achievement of the Sustainable Development Goals. Particular emphasis was placed on promoting sustainable economic growth, employment and decent work for all.



In November 2019, VEB.RF joined the National Global Compact Network on Implementation of Responsible Business Principles in Business Practice (the "Association"), established in 2016 as the successor to the UN Global Compact Russia (whose members had previously included VEB.RF) with the support of the Russian Ministry of Foreign Affairs.

In 2019, VEB.RF participated in projects, programmes and activities of the Association and the UNGC aiming to find specific mechanisms for involving members of the UN Global Compact Network Russia in implementing the global agenda and promoting Russia's best practices in sustainable development. For instance, VEB.RF took part in the session "Sustainable development goals: contribution of the business and the state", which was held at the Gaidar Forum, and in the first National Forum on Sustainable Development.

The non-financial report of VEB.RF for 2018 was published on the UNGC website.¹⁵ The status of the report was upgraded to Advanced from the Active level of VEB.RF's previous report. The Advanced level awarded by the UNGC Office shows that VEB.RF implemented and reported the use of a wide range of best practices in sustainable development management.

¹⁵ <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/advanced/435823>.





VEB.PROJECTS



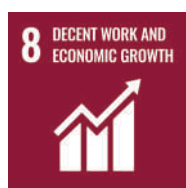
VEB.PROJECTS

Financing for Investment Projects

As at the end of 2019, VEB.RF was involved in 104 investment projects through lending and equity financing (key instruments of investment project financing), totalling RUB4,090.9bn, with VEB.RF's commitment of RUB1,651.9bn. In the reporting period, 37 projects began to receive financing, while 22 projects were completed.

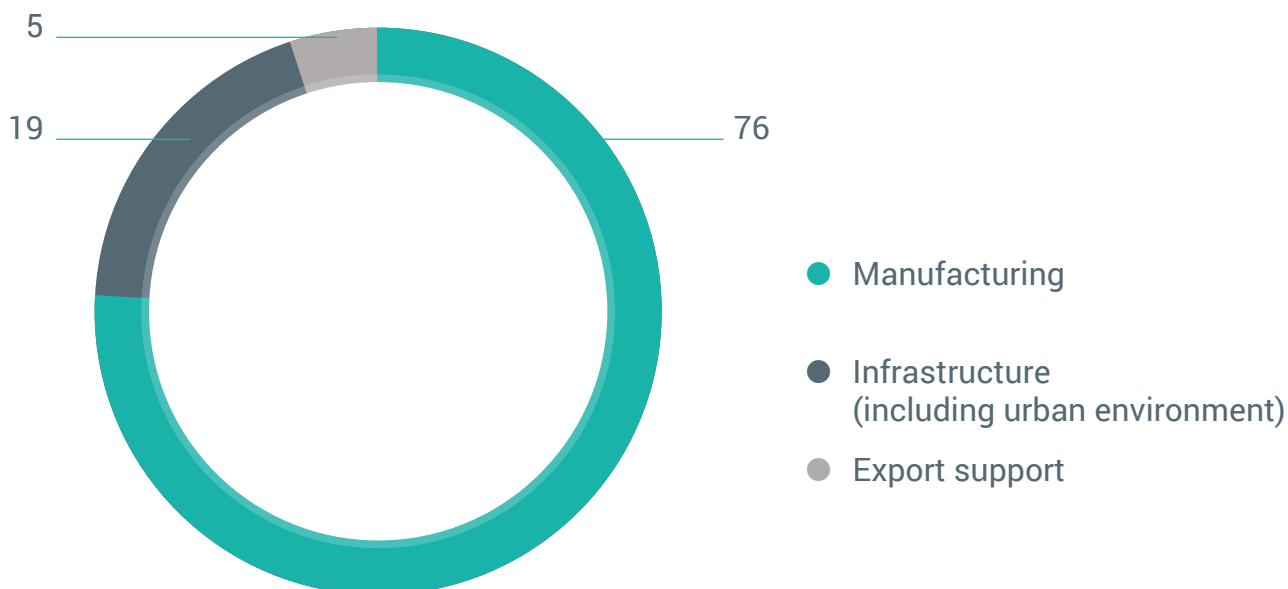
Projects Approved by VEB.RF in 2019

In 2019, VEB.RF approved financing for **53 projects** totalling **RUB3,155.2bn**, with VEB.RF's commitment of **RUB950.1bn**.



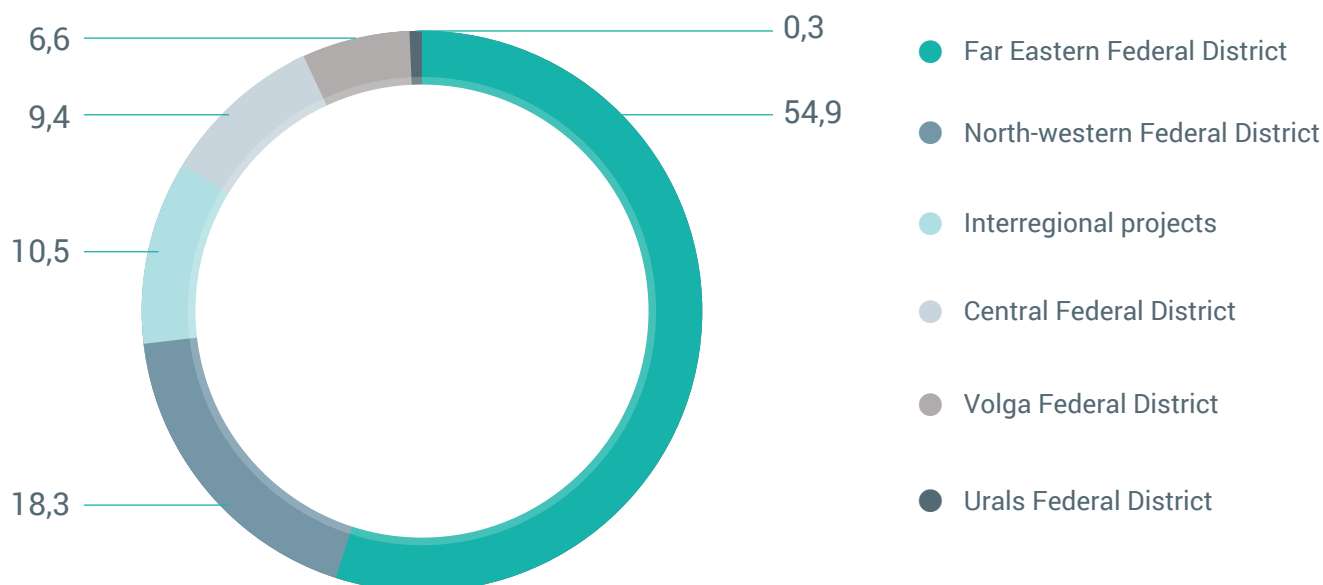
VEB.RF PROJECTS APPROVED FOR FINANCING IN 2019 BY INDUSTRY

% of VEB.RF's commitment

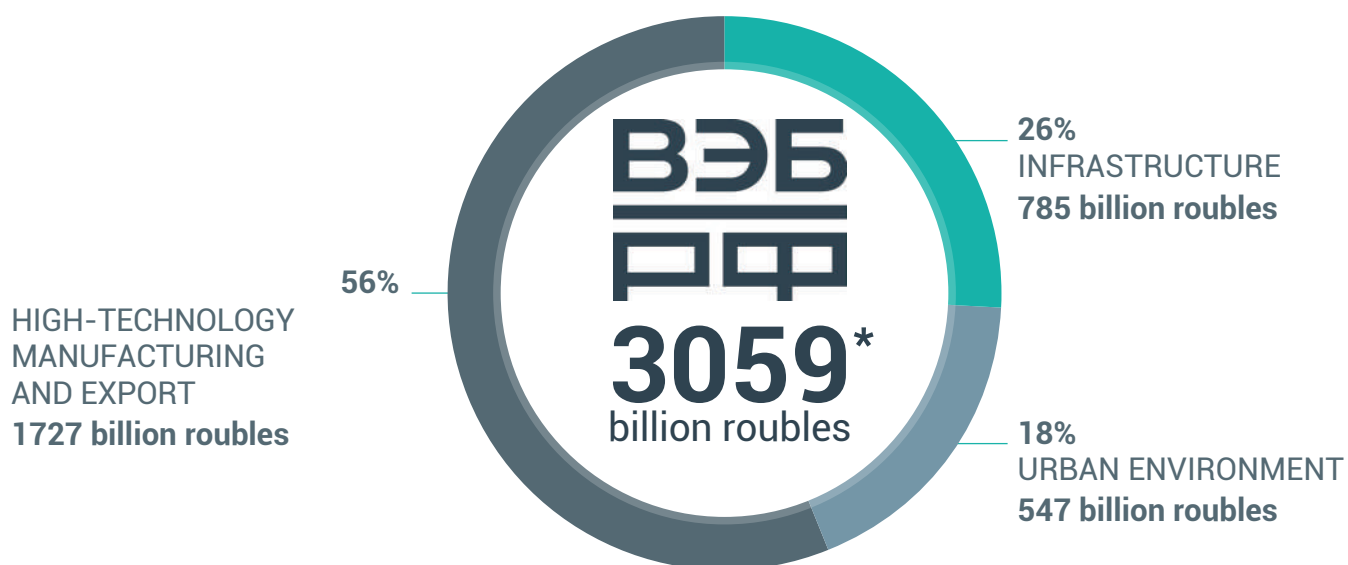


VEB.RF PROJECTS APPROVED FOR FINANCING IN RUSSIA IN 2019 BY REGION

% of VEB.RF's commitment



VEB.RF: PROJECTS IN THE PIPELINE UNTIL 2024

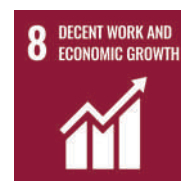


* VEB.RF's share in projects under consideration
Total project value: RUB10,997bn

Syndication Mechanism

The Supervisory Board of VEB.RF approved two projects in 2019, totalling RUB1,473.3bn, with VEB.RF's commitment of RUB102.8bn. These are gas-to-chemicals and MSW management infrastructure projects implemented through a syndication mechanism.

Construction of Amur Gas Processing Plant



Amur Gas Processing Plant will be the largest gas-processing and helium production facility in Russia and the world. Its design capacity is 42 billion cubic meters of natural gas per year. The project consists of six process trains. Two of them are scheduled to begin operation in 2021.

Total project value: EUR19,1bn

VEB.RF's commitment: EUR0.5bn

Syndicate: Chinese, Japanese, European and Russian lenders (Gazprombank, VTB Bank, Sberbank, Otkritie Bank etc)

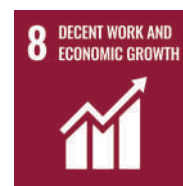
Expected project outcomes: Amur Gas Processing Plant will play a significant role in supplying natural gas to China via the Power of Siberia pipeline.

"VEB.RF is involved in the country's biggest gas-processing and gas-to-chemicals projects. The construction of Amur Gas Processing Plant will enable Russia to increase its export potential, including in the potentially lucrative Asian markets. Amur Gas Processing Plant will become a world leader in helium production."

Nikolay Tsekhomsky

First Deputy Chairman and Member of the Board, VEB.RF

Construction of EfW plants (Energy from Waste)



The project involves building four energy-from-waste plants for municipal solid waste (MSW) in the Moscow Region. Each plant is designed to generate 70 MW and process 700,000 tonnes of waste per year. It is intended that the EfW plants will begin operation in 2022.

Total project value: RUB148.9bn

VEB.RF's commitment: RUB68.2bn

Syndicate: Gazprombank

Expected project outcomes: The project will reduce landfill in the Moscow Region by 30% through energy recovery by 2023.

"Energy from Waste is the flagship project in VEB.RF's green investment portfolio. Developing high-technology infrastructure and creating an environmentally safe and comfortable urban environment are high on VEB.RF's list of priorities. The project will decrease landfill in the Moscow Region by a quarter, ensuring that environmental performance indicators will reach most world standards as early as 2023. The plants will be built under the Environmental Protection national project, which underlines the importance of the project on the current environmental agenda of the government."

Nikolay Tsekhomsky

First Deputy Chairman and Member of the Board, VEB.RF

Shipbuilding Projects

In the shipbuilding segment, VEB.RF began to finance large shipbuilding contracts at the Zvezda shipyard in 2019.



Approval was given to VEB.RF's participation in 21 tanker construction projects totalling RUB370.9bn, with VEB.RF's commitment of RUB345.7bn.

Construction of three MR-class product tankers

The project involves financing the supply of three gas-fuelled MR-class product tankers. Compared with conventional fuels, the operation of gas-fuelled ships will significantly reduce hazardous air pollutants. The tankers meet the new technical requirements of the International Maritime Organization (IMO). The deadweight of each tanker will be about 50,000 tonnes. The ships are scheduled for delivery in 2022–2023. Their ice class 1B will enable the ships to be used for year-round navigation in ice-bound conditions of the Baltic Sea.

Project initiator: Sovcomflot Group

Total project value: RUB10.3bn

VEB.RF's commitment: RUB9.4bn

"Shipbuilding is one of the largest engineering industries with high scientific and technical potential. Support for this industry is a priority for VEB.RF as part of Russia's industrial development."

Artyom Dovlatov
Deputy Chairman, VEB.RF

Construction of ice-breaking LNG carriers

The project involves financing the supply of 15 ice-breaking LNG carriers under the Arctic LNG 2 project. The gas tankers (ice class Arc7) are designed to transport LNG on a year-round basis in the ice-bound conditions of the Kara Sea and the Gulf of Ob. The ships have the ice-breaking capability to navigate in ice with a thickness of 2 metres. Meeting the latest requirements, they will navigate the Northern Sea Route.

Project initiator: Sovcomflot Group

Total project value: RUB330.4bn

VEB.RF's commitment: RUB306.4bn

Project Financing Factory

The Project Financing Factory (PFF)¹⁶ is a mechanism for financing investment projects in Russia's most important economic sectors under syndicated loan agreements using measures of government support and encouraging project financing.

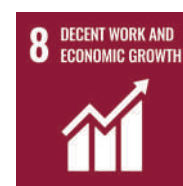
As part of efforts to improve the Project Financing Factory, the Russian Government adopted Resolution No. 755 on 13 June 2019, expanding the possibilities of using this mechanism. The main change is the expansion of the PFF mandate to finance projects in the sectors and areas specified as priorities in the May presidential decree.

In 2019, the Supervisory Board of VEB.RF approved eight projects using the Project Financing Factory mechanism in such areas as the chemical (including gas-to-chemicals) and metallurgical industries, port and road infrastructure, and the digital economy, totalling more than RUB731.4bn, with VEB.RF's commitment of RUB207.2bn.

VEB.RF started to provide financing for six PFF projects in 2019.

The PFF mechanism did not place a burden on the budget of the Russian Federation in 2019.

Construction of the first phase of the Udokan mining and smelting facility



The project involves developing Udokan, Russia's largest undeveloped copper deposit and one of the largest in the world, in the Trans-Baikal Territory. The project includes the design and construction of the first phase of a mining and smelting facility for cathode copper and copper concentrate, an open-pit mine with an annual capacity of 12 million tonnes of ore and annual output of up to 125,000 tonnes of copper, and associated infrastructure.

¹⁶ <https://xn--90ab5f.xn--p1ai/biznesu/fabrika-proektnogo-finansirovaniya/>.

Borrower: Baikal Mining Company

Total project value: USD2.9bn

VEB.RF's commitment: USD0.5bn

Term of financing: 12 years

Project Financing Factory jointly with: Gazprombank, Sberbank

Expected project outcomes: the Udokan project will create more than 2,000 jobs, excluding allied industries, and increase tax revenues for budgets at all levels.



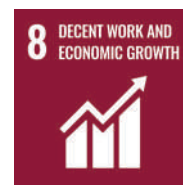
The Udokan copper deposit development project in the Trans-Baikal Territory won the Loans Cbonds Award 2019 as Best Deal in the Russian Syndication Market.

"This is the Factory's first deal involving three lenders: two large commercial banks and VEB.RF. The Factory's mechanism enables commercial banks to effectively collaborate to arrange financing for capital-intensive projects."

Nikolay Tsekhomsky

First Deputy Chairman and Member of the Board, VEB.RF

Construction of Nakhodka Fertilizer Plant



The project involves financing the construction of a methanol production facility. The total design capacity of the project's first phase is 1.8 million tonnes of methanol per year. Natural gas for production will be supplied from Sakhalin fields. It is intended that Nakhodka Fertilizer Plant will work at full capacity in the second half of 2023.

Project initiator: Nakhodka Fertilizer Plant

Total project value: USD2.5bn

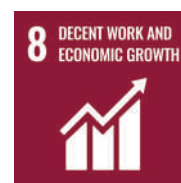
VEB.RF's commitment: USD1.5bn

Term of financing: 15 years

Project Financing Factory jointly with: VTB Bank

Expected project outcomes: when completed, the project will create over 1,500 highly professional jobs in the Primorie Territory. The plant will bring about a massive increase in tax revenue and improve the efficiency of using natural resources.

Construction of the coal transshipment facility at the port of Vanino



The project involves building a high-technology coal terminal at the seaport of Vanino, Khabarovsk Territory. The annual cargo turnover of the terminal's first phase is estimated at 12 million tonnes of coal. Phase I is scheduled for completion in 2020. The potential cargo turnover of the terminal totals 24 million tonnes of coal per year.

Project initiator: VaninoTransUgol

Total project value: RUB39.6bn

VEB.RF's commitment: RUB13.3bn

Project Financing Factory jointly with: VTB Bank

Expected project outcomes: the project is to create more than 600 jobs.



"Investment in modern port infrastructure is one of VEB.RF's top priorities. We expect that working with our reputable partners not only will have a positive effect on the Far Eastern economy, but also will open up new opportunities for Russian exports to the Asia-Pacific region."

Nikolay Tsekhomsky
First Deputy Chairman and Member of the Board, VEB.RF

PFF SPE Bond Issuance

The Project Financing Factory's special-purpose entity (SPE) placed the first issue of bonds in 2019 with a total par value of RUB10bn. The PFF SPE will use the proceeds from the first bond issue to finance PFF projects in 2020 as specified in the Bond Programme.

PFF Digitalisation

DataRoom is a single information engine created by VEB.RF to provide information support for the Project Financing Factory and also designed to enable syndicated lending participants to exchange information on investment projects outside the PFF mechanism.

The Project Financing Factory section of VEB.RF's website (www.veb.ru) contains the documents necessary for connection to DataRoom (<https://fpf-synd.veb.ru>).

Any participating bank can use its personal account page on DataRoom for the following operations:

- consider documents on investment projects in order to vote on the possibility of participation or determine whether it is reasonable to participate in financing investment projects;



- vote on projects or formulate the terms and conditions of participation in financing;
- consider documents as part of due diligence for projects;
- take part in VEB.RF information sessions.

In 2019, VEB.RF launched personal account pages on DataRoom for the Russian Ministry of Economic Development and the agent for the Russian Government, enabling them to use PFF project registers in accordance with the Project Financing Factory programme.

Work continued in the reporting period on enabling accredited banks to connect to DataRoom: connection was provided for eight participating banks; a total of 91 authorised persons of 13 participating banks have access to DataRoom.

In addition, work started on developing customer account pages to enable borrowers to upload documents related to syndicated loan agreements and post such documents on DataRoom for syndicate members.

Trade Finance in Investment Projects

In 2019, VEB.RF launched a mechanism for issuing bank guarantees intended for development projects in the Russian Federation.

As at 31 December 2019, VEB.RF had 109 guarantees issued in 2019 as part of support for investment projects for a total amount equivalent to RUB54.3bn. Guarantees were provided for investment projects in the following industries: timber industry; chemical industry; heavy, transport, special and power engineering; transport infrastructure.

In 2019, in order to carry out a VEB.RF-financed investment project using the Project Financing Factory mechanism, a USD50.0mn standby L/C was issued *pari passu* with another lending bank.

To provide comprehensive support for VEB.RF customers in their investment activities, VEB.RF issued the first tax guarantees in 2019, totalling RUB412.06mn, to secure taxpayers' obligations related to refundable VAT.

In 2019, nine companies became new VEB.RF customers receiving guarantee support for investment projects.

Exit from Projects

VEB.RF successfully exited from several projects in 2019. Overall, VEB.RF completed participation in **22 projects**.

JV Ford Sollers paid off its principal debt in the amount of RUB34.8bn and accrued interest. VEB.RF was successful in debt restructuring for the project without losses.

AVTOVAZ repaid a loan in full in the amount of RUB28.4bn. VEB.RF successfully fulfilled its functions as a development institution by providing financing in the most difficult period for the company. VEB.RF's support allowed the company to update its product range and strengthen its position as a leader in the Russian market, which made it possible for the company to perform its obligations to VEB.RF early.



VEB.RF completed the assignment of receivables to Gazprombank and VTB Bank in relation to a loan to Northern Capital Highway (Western High-Speed Diameter Project) in the amount of RUB23.3bn. VEB.RF successfully fulfilled its functions as a development institution by completing the project's investment stage, with all sections of the highway put into operation.



"Today, there is no commercial bank ready to provide financing for 30 years for new construction, construction that has not undergone full due diligence. VEB.RF here acts as a government-controlled development institution; we take all risks at the first stage and work very closely with the initiator on this project."

Nikolay Tsekhomsky
First Deputy Chairman and Member of the Board, VEB.RF



PHOTO: Roscongress Foundation

Socially Significant Projects



Healthcare and education projects are an important area of VEB.RF's investment policy.

"The country has gone a long way over the last 20 years. The main thing is that our economy has kept on developing all this time. Even despite the crises of 2008–2010 and 2014–2016, despite the sanctions, we were not thrown back, we did not close down, but we continue to develop. This is what now allows us to deal not only with basic economic problems, but also with more complicated issues: improving the quality of life in Russia. This is a goal set by the Russian President, and this is what national projects are aimed at."

Igor Shuvalov
Chairman, VEB.RF



Created with financial support from VEB.RF, the Nephroline dialysis centre opened its doors in Tver. The project was implemented as a public-private partnership. The centre is equipped with 27 latest-generation artificial kidneys made by Nikkiso, Japan, a world leader in haemodialysis equipment production. The centre is designed to treat a maximum of 162 patients on a three-shift basis. VEB.RF is involved in building two more dialysis centres in the Moscow Region.



During the St. Petersburg International Economic Forum, VEB.RF and Dr. Berezin Medical Institute (MIBS) agreed to set up a proton therapy centre in the Central Federal District. It is intended that a total of RUB7.5bn will be invested in the project.

High-technology healthcare infrastructure and the introduction of innovative medical technology in the health sector are a focus of VEB's attention, and the fight against cancer is part of the Healthcare national project. One of the objectives of the national project is to build at least five proton therapy centres in the near future.

Proton therapy is considered to be one of the most effective and sparing radiotherapy methods for cancer treatment, characterised by the high precision of irradiating diseased tissue and by minimal side effects caused by conventional radiotherapy to normal organs and tissue.

"Carrying out such complicated and important projects for our citizens is a priority for the development institution. Our partnership with a market leader in using proton therapy for cancer treatment is key to successful project implementation, which means a substantial contribution towards the Healthcare national project."

Nikolay Tsekhomsky

First Deputy Chairman and Member of the Board, VEB.RF

VEB.RF and the Russian Ministry of Science and Higher Education agreed to work together under the Export of Education federal project (part of the Education national project) to set up and operate university campuses in Russian regions and signed an agreement to cooperate under a project to build modern multifunctional campuses in the Perm Territory and the Tomsk Region.

"The project is unique to Russia and suggests a repayment-based model of financing involving a private investor and VEB.RF as a financial partner. The project should receive co-financing of up to 40% from the federal budget. The project's total value is about 6 billion roubles, and its large scale will make it necessary to raise up to 3 billion roubles in debt financing."

Mikhail Alashkevich

Senior Vice-President, VEB.RF

In order to make Russia's higher education more competitive, universities need to develop infrastructure and create a smart environment that will attract foreign and Russian students and teachers and will become a driver of urban development. Perm can be selected for the pilot project to build an international campus to test the PPP model.

Under the Export of Education federal project, the number of foreign students at Russian universities should double by 2024. It is intended that RUB102.2bn in federal budget funds will be channelled into the design, construction and rehabilitation of campuses under the Export of Education project by 2024 to accommodate 77,500 students. The approach proposed by VEB.RF will make it possible to attract private investment comparable to public funding and double campus accommodation.

Urban Economy and Integrated Urban Development



Urban economy development and improved quality of life in Russian cities are a priority for VEB.RF, DOM.RF, RSMB Corporation, Russian Export Center, MONOTOWNS.RF and the Far East Development Fund. The development of a modern urban economy is placed high on the agenda of all development institutions.

Russia's urban population is more than 100 million. Urban development is a trend demanded by society. It was decided in 2019 that the focus of VEB.RF's activities in the area "Urban Economy and Integrated Urban Development" should be on the 100 largest cities (except for Moscow and Saint Petersburg) and on proactive cities outside this list. The following urban economic sectors were identified as priorities for VEB.RF:

- public utility services;
- transport;
- smart city;
- healthcare, education, sports and social services;
- tourism.

Priority is given to PPP projects, including under concession agreements, implemented by private investors and to projects that have a significant impact on achieving the goals of national projects.

"No city can develop without a modern appearance or development plan, without modern residential areas and public spaces. Where a new residential area comes into existence, where new life comes into existence, large infrastructural projects are not enough. The core and quality of this life are heavily dependent on small, medium-sized and micro enterprises for this comfort."

Igor Shuvalov
Chairman, VEB.RF



VEB.RF works to create a new portfolio of projects in various areas of the urban economy, including public transport, traffic safety, public utility services, energy efficiency, MSW recycling, healthcare and medicine. In 2019, VEB.RF made a uniform list of urban economy projects for all its functional units. At the end of the reporting year, the list included more than 70 projects and project ideas for 35 Russian cities.

VEB.RF is the government's key instrument for developing the country's transport infrastructure, including several regional airports. The total transfer passenger traffic under all airport construction and rehabilitation projects with the involvement of VEB.RF is more than 45 million people per year.

"Cities are a priority for the entire 'family' of VEB.RF entities. We have identified the main areas of activities: infrastructure, economy, environmental protection, smart city, public transport, social infrastructure. VEB.RF is a development institution, but it continues to be a credit institution; so, we find it very important that projects should be implemented on a returnable investment and break-even basis."

Alexey Sorokin
Deputy Chairman, VEB.RF



During the St. Petersburg Economic Forum, we presented a unique exhibition stand featuring a comfortable and safe street. The street met the Integrated Territorial Development Standard developed by DOM.RF in collaboration with the Russian Ministry of Construction, Housing and Utilities and Strelka KB. This was part of Russia Extends, a single exhibition space jointly prepared by Russian development institutions (VEB.RF, DOM.RF, Russian Export Center, RSMB Corporation, MONOTOWNS.RF, VEB Innovations (VEB Ventures) and the Far East Development Fund). In accordance with the standard, a street in any city should be a multifunctional space, safe for all categories of people, with all services within walking distance.

The Organisation for Economic Co-operation and Development (OECD) praised VEB.RF's contribution to the development of a new system measuring the quality of city development in pursuit of the UN Sustainable Development Goals. The OECD found that the City Index developed jointly by the Russian Ministry of Economic Development, the Russian Federal Service for State Statistics and VEB.RF makes it possible to use international indicators to measure how Russian cities work towards a better quality of life and the UN SDGs. A team of VEB.RF and Russia-OECD Center RANEPА accomplished in 2019 the goal of having Moscow included as one of the nine pilot cities and regions in the OECD's large-scale project to assess how cities and regions use the UN SDGs to formulate and implement their development policies.

VEB.RF, DOM.RF, Russian Export Center, RSMB Corporation and MONOTOWNS.RF switched over in 2019 to a new format of regional cooperation, the most important aspect of which is that all the development institutions work together on regional projects. A key instrument was business missions that included presentations for all stakeholders about possible forms of support, dialogue with the business community, meetings with regional and municipal administrations.

UN HABITAT

FOR A BETTER URBAN FUTURE

The United Nations Human Settlements Programme (UN-Habitat) is mandated to promote international cooperation in sustainable urban development, assist specific countries and regions in developing human settlements and infrastructure, and organise urbanisation research and analysis. In 2019, VEB.RF representatives in the Russian delegation took part in a session of the UN-Habitat Assembly in Nairobi, Kenya.

In 2019, VEB.RF launched a training programme for management teams in the 100 largest Russian cities. Built on the Master of Public Administration (MPA) standard, the programme is designed for public and municipal government servants. It is expected that this will result in the formation of management teams using with best practices and expertise in urban management.

"In collaboration with Moscow School of Management SKOLKOVO and the Russian Presidential Academy of National Economy and Public Administration, we launched a special MPA training programme. We will use the programme for all our projects for urban infrastructure, for municipal solid waste, for modern housing, for a modern city appearance, for the modern economy, including small and medium-sized businesses. Without such a programme, it would be difficult to join forces and achieve a common understanding of the urban development agenda."

Igor Shuvalov
Chairman, VEB.RF





VEB.RF and SME Bank with the involvement of RSMB Corporation signed a RUB4bn loan agreement enabling the bank to give loans to small and medium-sized businesses implementing projects in the area “Urban Economy Development” at an interest rate comparable to the rate subsidised by the government. The agreement will make it possible to use funding for the development of cities as a source of Russia’s sustained development by encouraging private investment in the urban economy and improving quality of life.

Supporting and Developing Single-Industry Towns (Monotowns)



The Monotowns Development Fund (MONOTOWNS.RF or the “Fund”) is a not-for-profit organisation whose activities are focused on creating the necessary conditions for new jobs and investment in Russian single-industry municipalities (monotowns), along with improvements to the urban environment.

"Monotowns have a negative connotation among most people: factories, dirt, smokestacks, people seeing nothing but work. But monotowns have changed. Monotowns have achieved considerable success, and they deserve to be called more positively: leading-edge towns; towns that are not afraid of anything but do something; towns that are not only for work, but also for living in. We want our monotowns to sound positive and set an example for other cities."

Irina Makieva
Deputy Chairperson, VEB.RF

As specified in the Fund's strategy, its objectives are to:

- create jobs not related to the largest local employers;
- encourage investment in monotowns outside the largest local employers;
- assist with improving public and municipal administration in monotowns.

"Single-industry towns today are much more confident about the future. More than 12,000 new jobs have been created. This resulted from the joint work of the Fund, the Government, regional and local authorities. We use our five-year experience of transformation for the development of all Russian cities."

Igor Shuvalov
Chairman, VEB.RF



Five years of successful operation



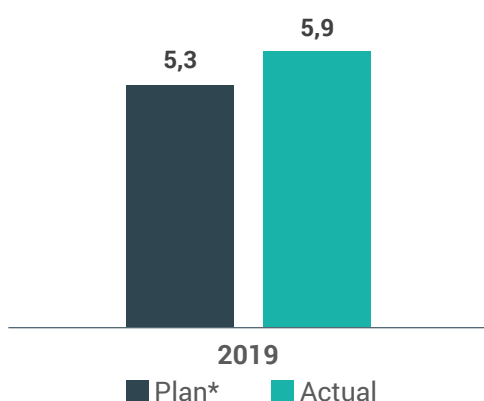
The ability of MONOTOWNS.RF to participate in financing investment projects was expanded in 2019, including decreasing the minimum amount of the Fund's commitment from RUB10mn to RUB5mn. A product catalogue was issued, describing the main characteristics of MONOTOWNS.RF products related to debt financing, including new products developed jointly with RSMB Corporation. Zero-interest loans of up to RUB250mn were given as part of the product developed by the Fund in December 2018.



In 2019, 19 infrastructure facilities were put into operation in ten monotowns (a total of 74 infrastructure facilities in 29 single-industry towns in 2016–2019).

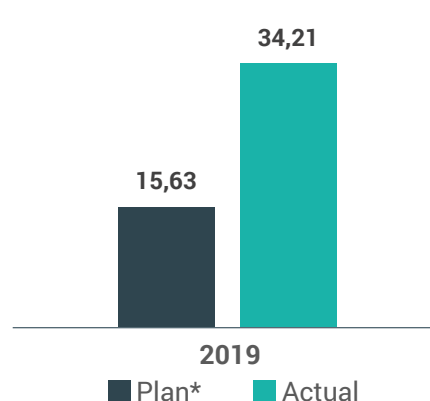
JOBS CREATED IN SINGLE-INDUSTRY TOWNS WITH SUBSIDISATION

thousand



INVESTMENT IN SINGLE-INDUSTRY TOWNS WITH SUBSIDISATION

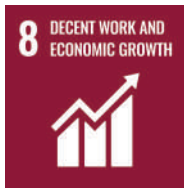
RUB bn



* The planned values are specified in federal subsidisation agreements between the Fund and the Russian Ministry of Economic Development

The Fund undertook obligations under 14 debt financing agreements in 2019, totalling RUB1,889.496mn. Due diligence for these investment projects included the Fund's assessment of their socio-economic efficiency: positive socio-economic outcomes in the form of new jobs created and investment attracted in a single-industry town under an investment project.

Novotroitsk Sodium Factory Novotroitsk, Orenburg Region



Project initiator: Novotroitsk Sodium Factory, a resident of the Novotroitsk advanced development zone

Project value: RUB3,066.00mn

Fund's commitment: RUB1,000.00mn

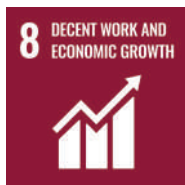
Project goal: set up a new facility in Novotroitsk, Orenburg Region, to produce:

- sodium carbonate (100,000 tonnes per year)
- gypsum (hemihydrate) (143,000 tonnes per year)
- quicklime (107,400 tonnes per year)

Expected project outcomes:

- environmental (reduced waste generation: the project involves recycling sodium carbonate (calcium sulphate) production waste into gypsum plaster);
- economic (taxes; investment in the monotown's economy);
- social (249 new jobs not related to the largest local employer; reduced unemployment in the monotown).

Project to rehabilitate the existing production of terephthalic acid at POLIEF in Blagoveshchensk, Bashkortostan



Project initiator: POLIEF

Project value: RUB8,827.645mn

Fund's commitment: RUB1,000.000mn

Project goal: rehabilitate the existing production of terephthalic acid to increase output by 100,000 tonnes per year

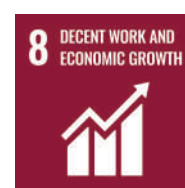
Expected project outcomes:

- environmental (enhanced environmental safety and energy efficiency of existing production (increased automation and digitalisation of production processes));
- economic (taxes; investment in the monotown's economy; increased gross municipal product of Blagoveshchensk; increased manufacture of import-substituting products; reduced dependence on imports in the oil, gas and chemical sectors);
- social (20 new jobs not related to the largest local employer).

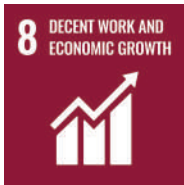
The Gorny greenhouse facility was opened in Ust-Katav, Chelyabinsk Region, in December 2019, enabling vegetables to be grown throughout the year. The project's infrastructure facilities were put into operation in 2018. This is the largest infrastructural project of MONOTOWNS.RF.

"As late as two years ago, it was a huge empty field. Then work was progressing there at an impressive pace. We worked with the region to build the infrastructure: the Fund allocated almost 1.5 billion roubles. This is our largest project! The new agricultural facility became the pride of the region, the town, the Fund and all residents of Ust-Katav. I am sure that our united team will not stop there."

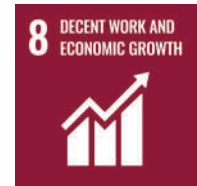
Irina Makieva
Deputy Chairperson, VEB.RF



In 2019, companies involved in investment projects using loans from MONOTOWNS.RF supplied their products to more than 20 countries, earning over RUB2bn. For instance, under the project to start the production of glued laminated timber in the monotown of Luza, Kirov Region, Holtz House exported 56,865.087 cubic meters of softwood timber in 2019 to the following countries: Israel, Italy, China, South Korea, Egypt, Japan, Iraq, Jordan and Sri Lanka.



The Russkaya Kozha leather production facility was opened in Zarinsk, Altai Territory, in 2019. Under the project, MONOTOWNS.RF provided funding and co-financed the Altai Territory's expenses associated with the rehabilitation of the project's transport infrastructure.



As part of performing its functions as a project office coordinating projects to stabilise the socio-economic situation in single-industry towns, MONOTOWNS.RF:

- supported the implementation of monotown development programmes;
- provided advice and methodological support for monotowns' administrations and the highest regional executive authorities in respect of the formulation and implementation of monotown development programmes, including with due consideration to Russian best practices in economic diversification for single-industry towns, measures to improve the investment climate and urban environment development for single-industry towns;

- organised and conducted seminars for the heads of monotowns, as well as forums, conferences, and roundtables on the development of monotowns;
- provided assistance to obtain public and private funding for monotown development programmes and introduce project management principles into monotowns' local government authorities in order to raise the efficiency of the programmes;
- assessed (rated) single-industry towns;
- worked with credit institutions, funds and other organisations on projects for the integrated development of single-industry towns.

"Based on this year's ranking of single-industry towns, we asked the top 10 towns to act as mentors. This is the unique exchange of experience among monotowns, which will add new impetus to their development. Overall, we intend to sign about 20 agreements involving all the top monotowns from the 2016 and later rankings."

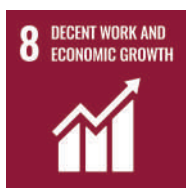
Irina Makieva
Deputy Chairperson, VEB.RF

To provide non-financial support for single-industry towns, MONOTOWNS.RF carries out several projects, including the projects described below.

Walk the City

"Comprehensive support for urban development is not limited to financing new infrastructure and production facilities. It also includes various forms of non-financial support. The Walk the City project, started jointly with Google, is one of the projects. It is designed not only to involve local residents in the development of their city but also to help the city to realise its tourism potential."

Igor Shuvalov
Chairman, VEB.RF



Initiated by MONOTOWNS.RF, VEB.RF and Russian Export Center in cooperation with Google, the Walk the City project was launched in February 2019. The project was later joined by Yandex.

The project aims to make tourists more interested in visiting Russian monotowns/cities and promote the development of local small businesses. More than 170 cities (including 162 monotowns) and over 10,000 volunteers were involved in the project in 2019. They added over 4,000 new places to Google Maps and Yandex Maps, wrote reviews and added up-to-date photos. In less than a year, information about more than 700 small and medium-sized enterprises was included in the apps, while the number of their customers grew by an average of 10%.

The Walk the City project won the contest organised by the Urban Competence Centre of the Agency for Strategic Initiatives for urban projects under the 100 Urban Leaders programme.

The Walk the City project contributes to reaching the goal of the federal project Promotion of Entrepreneurship under the national project Small and Medium-Sized Businesses and Individual Entrepreneurial Initiative Support.

Clean Games

Clean-up campaigns were launched in single-industry towns under the Clean Games project. The campaigns took place in 80 monotowns of 38 constituent entities of the Russian Federation. 5,300 participants collected 119.47 tonnes of waste.



Many monotowns participated in the campaign two or more times in 2019. The leader in the reporting year was Pervouralsk, Sverdlovsk Region, with 203 residents collecting about 7.7 tonnes of waste. Kotovsk, Tambov Region, took second place: the town held the campaign only once, but 208 residents collected almost 5.7 tonnes. The monotown of Chebarkul in the Chelyabinsk Region took part in the project four times, taking third place (3.7 tonnes). Among the leaders in campaign were also Naberezhnye Chelny, Novokuznetsk, Prokopyevsk, Lebedyan, Novotroitsk and Nizhny Tagil.

The Clean Games project was started by the Fund in 2018. The eco-campaign took place in 58 monotowns and attracted more than 4,200 participants, who collected more than 90 tonnes of waste.

Monotowns Development Academy

The project is aimed at informing the target audience about new initiatives and projects in the integrated development of single-industry towns, giving advice to local governments of single-industry towns, executive authorities of Russian regions and investment project participants on support provided by the Fund and other development institutions, and expanding work on searching for and attracting investment project initiators in monotowns.

The Fund held five training seminars under the Monotowns Development Academy project in 2019. They included the interactive business game "How to Get a Loan", showing practical steps to obtain financial support from the Fund. The events were attended by representatives from the Perm Territory, Volga Federal District, Urals Federal District, Southern Federal District, North Caucasian Federal District and North-western Federal District. A total of over 100 monotowns took part in the seminars.



VEB.RF Chairman Igor Shuvalov co-chaired the WEF Global Future Council on Russia in 2019. The Council focused on technological partnership between cities in 2019.

"We did a lot during almost a year of the Council's work. All projects—hackathon, urban agglomeration development, creative index, artificial intelligence—are extremely useful. But we are now at the very beginning. We should continue to work on urban projects, including building international partnerships."

Igor Shuvalov
Chairman, VEB.RF

The Council initiated Russia's first project Global City Hackathon in Nizhni Novgorod. The organisers were the Nizhni Novgorod Region Government, the Nizhni Novgorod Administration, VEB.RF (MONOTOWNS.RF), Strategy Partners and Philtech Initiative. For three days (19–21 April 2019), the participants developed prototypes for digital services designed to resolve current urban issues. The event brought together 200 participants: experts on social issues and digital technology, start-up teams, software engineers, designers, marketing professionals and sociologists.



VEB.RF and MONOTOWNS.RF work together to prepare joint projects for the development of Russian single-industry towns, involving UN organisations, such as the United Nations Industrial Development Organization (UNIDO), the United Nations Human Settlements Programme (UN-Habitat). Businesses based in monotowns are informed about the possibilities of participating in procurement for all UN organisations. In addition, VEB.RF takes part in events organised by the Organisation for Economic Co-operation and Development (OECD). OECD countries' experience is studied in relation to city development in pursuit of the UN Sustainable Development Goals 2030, indicators used to assess cities etc.



At the “BRIDGE for Cities” event organised by UNIDO and the Finance Center for South-South Cooperation (FCSSC) in September 2019, VEB.RF Deputy Chairperson Irina Makieva presented Russia’s experience of dealing with monotown issues. The event included meetings with UNIDO, resulting in identifying areas of potential cooperation: foreign investment, environmental protection, electric power, business missions, participation in the Global Manufacturing and Industrialisation Summit (GMIS), the Brand Global Summit etc. In December 2019, VEB.RF had a series of consultations at UNIDO’s headquarters in Vienna to learn about UNIDO’s main projects in detail and identify areas of potential cooperation in support for single-industry towns and their development.

Developing Infrastructure and Public-Private Partnerships



“Capital-intensive projects in any country are typically based, to one extent or another, on public-private partnership mechanisms. We began doing it in the Russian Federation a long time ago. Now, we at VEB.RF, under the leadership of the Government and the Presidential Executive Office, take on the role of promoting all legal instruments of public-private partnerships and we believe that domestic and external investment activities will be more effective and attractive if they use the PPP mechanism.”

Igor Shuvalov
Chairman, VEB.RF

VEB Infrastructure (InfraVEB) focuses on preparing projects related to the development of social, transport, public utility and energy infrastructure, projects related to the development of public administration infrastructure, and integrated spatial development projects that interlink public infrastructure development and territorial economic or social development.



InfraVEB's current priority is to contribute 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 Ordinance No. 2101-r of 30 September 2018 under the Comprehensive Modernisation and Expansion Plan for Trunk Infrastructure until 2024. The Comprehensive Plan will ensure the development of the West-East and North-South transport corridors, enhance the economic connectedness of Russian regions by expanding and modernising the country's railway, aviation, road, sea and river infrastructure, and secure an accessible electricity supply.

"At present, it's increasingly important to find new effective mechanisms to finance the transport industry, which, on the one hand, would make it possible to resolve the issue of replacing public resources and, on the other, to overcome financial constraints in the PPP investment market."

Yuriy Korsun
Deputy Chairman, VEB.RF

In 2019, InfraVEB:

- prepared two projects included in the transport-related section of the Comprehensive Plan (construction of the farther western bypass route around Krasnodar; Meridian);
- financed one project included in the transport-related section of the Comprehensive Plan (Central Ring Road Project Phase 4);
- carried out due diligence at VEB.RF's request for four projects included in the transport-related section of the Comprehensive Plan (Central Ring Road Project Phase 1, Northern Latitudinal Railway, Tolyatti Bypass Route, Moscow-Kazan High-Speed Railway);
- carried out due diligence at VEB.RF's request for three projects that will contribute to the Healthcare and Environmental Protection national projects (Irkutsk ROSATOM Medicine Centre, AGC-1, Waste Management, Motor Oil Recycling);
- prepared two projects that can be included in the transport-related section of the Comprehensive Plan (Kazan-Yekaterinburg Road, Perm Bypass Route).

In accordance with the methodology for ranking specific components included in federal projects of the Comprehensive Plan, VEB.RF explores the possibility of attracting private investment in projects of the Comprehensive Plan as part of assessing components of the federal projects included in the transport-related section of the Comprehensive Plan. This function was performed by InfraVEB.

Financial documents for Phase 4 of the Moscow Region's Central Ring Road (CRR) construction project were signed on 12 December 2019. The syndicate consisting of VEB.RF, Gazprombank, Sberbank and the Eurasian Development Bank (EDB) formalised its arrangement with South-Eastern Highway LLC to lend a total of 35.8 billion roubles for 17 years. South-Eastern Highway LLC is a special purpose entity created by the Avtoban Group and the Russian Direct Investment Fund (RDIF) to carry out the CRR-4 project. In collaboration with the Avtoban Group, RDIF, the EDB and VEB.RF, InfraVEB is to provide 4.1 billion roubles in subordinate financing for 20 years.

"This is InfraVEB's first investment in a special purpose entity under a concession project at the investment stage, which was needed by the project to be successful."

Denis Nozdrachev
CEO, InfraVEB

The CRR-4 project includes the financing, construction and operation of a 96.5-kilometre road section. The Phase 4 road is to run in the south-east of the Moscow Region, 50 kilometres from the Moscow Ring Road, through the Noginsk, Pavlovsky Posad, Voskresensk and Ramenskoye Districts and the municipalities of Elektrostal and Domodedovo. The route is from the M-7 Volga federal highway (km 0 of the A-113 Central Ring Road) to M-4 Don. The predicted average daily traffic for 2030 is 40,300 vehicles. The design speed is 140 km/h. The first construction stage includes four lanes (two in each direction). Phase 4 consists of 17 bridges and wildlife crossings, 40 flyovers and nine elevated structures. The project uses six grade-separated junctions for the following roads: M-7 Volga, Moscow Smaller Ring Road, Yegoryevskoe Highway, Moscow Smaller Ring Road–Chechevilovo–Moscow Greater Ring Road, M-5 Ural, Vostryakovo–Obraztsovo (access to Domodedovo Airport), M-4 Don.



“Support for major infrastructural projects is high on our list of priorities. In the arrangement, VEB.RF will join the syndicate of senior lenders and provide a portion of subordinated debt as a financial sponsor for the project. Our participation made it possible to finalise the financing structure required by the concession agreement, which is essential to the smooth implementation of the project.”

Nikolay Tsekhomsky
First Deputy Chairman and Member of the Board, VEB.RF



VEB.RF became a founder of the National PPP Development Center in 2019. The goals include facilitating the accelerated development of a single platform designed to support infrastructural projects, ROSINFRA, ensuring the digitalisation of the Russian infrastructure and promoting this agenda within the G20, BRICS and the SCO. The strategic partnership between the National PPP Development Center and VEB.RF made it possible to:

- strengthen the role of VEB.RF as the key development institution in the Russian PPP market and as a leading PPP competency centre on the G20, BRICS and SCO agenda;
- include promising digital solutions in VEB.RF's ecosystem as a key area of investment activities in Russia and their integration with VEB.RF platform products, primarily Razvivay.rf;
- improve the quality of in-house due diligence for PPP projects and optimise expenses associated with engaging PPP market experts and contractors for projects by providing access to a single database.

The core of ROSINFRA is analytical services that are built as a PPP project database. After joining the National PPP Development Center as one of its founders and starting to take an active part in the development of ROSINFRA, VEB.RF achieved the following results:

- several new modules needed by the market were launched (for example, the world's largest library of documents relating to private investment in infrastructure);
- the product concept was restructured to scale up the promotion of ROSINFRA in the market (more than 20 companies are now subscribers on a paid basis; about 100 people are active users seeking regular advice; the platform contains 1,500 personal accounts; the platform has more than 12,000 unique visitors per month);
- the base of planned PPP projects and facilities (on the project initiative exchange) was increased by 30% by working with the most active regions.

The launch of ROSINFRA had the following main effects on the Russian infrastructural investment market:

- increasing the number of launched PPP projects, improving the quality of their development and speeding up their launch;
- increasing the number of Russian and foreign investors in PPP projects and scaling up the involvement of international financial institutions in their implementation;
- increasing private investment in infrastructure development;
- improving quality of life and standards of living in Russian regions through quality infrastructure investment.



“The higher quality of the infrastructure market as a whole makes it necessary to create a detailed project assessment methodology for project initiatives at the design stage. We intend to add to the ROSINFRA platform a scoring system that will be linked to the methodology and will let us make initial instant assessments for compliance with the Principles for Quality Infrastructure Investment (QII). The methodology will make it possible to encourage additional investment, for example for refinancing, but only if projects meet its requirements. New projects that will be included in the comprehensive plan and will be found compliant will be able to attract additional private investment for their implementation.”

Svetlana Yachevskaya
Deputy Chairperson and Member of the Board, VEB.RF

Leasing

In accordance with the concept of developing its leasing activities, VEB.RF will continue until 2024 to conduct strategy-compliant transactions through VEB-Leasing, while projects are assessed and supervised by VEB.RF's new division, Leasing Projects, headed by VEB.RF's Deputy Chairman and VEB-Leasing's General Director Artyom Dovlatov. The integration of VEB-Leasing into VEB.RF optimised operating costs, improved workforce productivity, eliminated overlapping functions and resulted in introducing a uniform risk management system. This made it possible to improve communication among divisions of VEB.RF entities and to speed up project implementation processes.

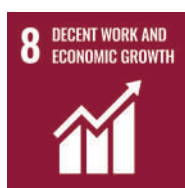
Leasing Projects works in accordance with the VEB.RF leasing development concept, providing leasing tools and initiating projects to improve the urban environment and transport infrastructure and support the Russian aircraft, shipbuilding and engineering industries. For example, VEB.RF provides financing for the purchase of Moscow Metro carriages. About 30% of Moscow Metro carriages will be financed by VEB.RF under the project, carrying up to 3 million passengers every day. At the same time, the new generation of underground carriages will be more comfortable and environmentally friendlier.





The top prize of the first National Leasing Award “Leasing Deal of the Year” in 2019 went to the construction of a shuttle tanker (ice class, 69,000 deadweight tonnes). Rosneftflot, a subsidiary of Rosneft, will receive a unique ship under a leasing agreement with VEB.RF. The project will enable petroleum to be transported in the Russian Arctic from the Varandey Terminal to the port of Murmansk. The construction of the shuttle tanker contributes to the development of shipbuilding in the Far East and Russian shipbuilding in general. The contract with the Zvezda shipyard will make it possible to increase tax revenues, create new jobs and improve quality of life in the Far East.

SME Support



Coordinated by VEB.RF, each development institution—not only RSMB Corporation, but also DOM.RF and REC—contributes to the development of small and medium-sized enterprises. Combining all these opportunities under specific investment projects produces a multiplying effect. The most notable example is urban economy projects. The projects considered by VEB.RF relate to housing construction, urban infrastructure and the hospitality (HoReCa) industry. VEB.RF's support in this area promotes the development of family-owned businesses in Russia.

“Small businesses form the backbone of the modern urban economy. They ensure comfort and quality of life for people. Development institutions—VEB.RF, RSMB Corporation and SME Bank—join forces with each other in this area. The new line of credit will increase financing for the SME sector and help to implement projects that contribute to the transformation of Russian cities.”

Marina Romanova
Deputy Chairperson, VEB.RF

VEB.RF took part in two transactions in 2019 to buy RUB5bn of bonds backed by loans to SMEs. The acquired securities portfolio included both bonds backed by RSMB Corporation's guarantee (RUB2bn) and unsecured bonds (RUB3bn).

The wider use of securitisation will enable banks to use their own resources to increase access to lending to small and medium-sized businesses.

Export Support

VEB.RF works to support exports in cooperation with the Russian Export Center (REC) Group. This important area of VEB.RF's activities contributes to achieving the goals of the International Cooperation and Export national project.

VEB.RF supports Russian non-resource exports throughout the value and supply chain: from financing investment projects that ensure the manufacture of export products to facilitating the implementation of supply contracts for foreign buyers.

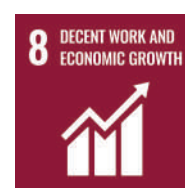
VEB.RF has a full range of necessary financial products: project financing, pre-export and export lending, performance bonds. VEB.RF both promotes the geographical diversification of exports and helps domestic companies to enter new markets while maintaining a presence in countries that have traditionally been foreign trade partners of the Russian Federation.

Financial support for exports totalled an amount equivalent to RUB130.1bn in 2019 (at the exchange rate on 31 December 2019). VEB.RF's support included export credits (including interbank loans) totalling an amount equivalent to RUB29.4bn, 100 valid export guarantees (without EXIAR, including 15 guarantees issued in 2018 and becoming effective in 2019) totalling an amount equivalent to RUB100.1bn, and letters of credit totalling an amount equivalent to RUB0.5bn. As at 31 December 2019, VEB.RF had 364 export guarantees totalling an amount equivalent to RUB402.4bn.

In 2019, VEB.RF issued 98 export guarantees totalling an amount equivalent to RUB77.4bn.¹⁷

The export guarantees supported the following industries: heavy, transport, special and power engineering, nuclear industry, including nuclear power, aircraft engineering, aerospace industry. VEB.RF continued to conduct guarantee operations across a wide geography. As at 31 December 2019, the export guarantee portfolio consisted of beneficiaries based in 17 countries.

In 2019, six companies became new customers receiving export guarantees from VEB.RF.



¹⁷ At the exchange rate on the date of issue.

Key export support partnerships in 2019

Tripartite memorandum among VEB.RF, the Russian Ministry of Industry and Trade, and REC

Subject matter:

Cooperation in foreign trade in relation to building a single framework for promoting exports

Principal provisions:

The parties agreed to share the experience, opportunities, resources and infrastructure available abroad to VEB.RF, REC и trade missions

Bilateral agreements between VEB.RF and REC

Subject matter :

Shared use of VEB.RF's foreign representative offices in Mumbai, India; Frankfurt, Germany; Milan, Italy; and Abu Dhabi, UAE

Principal provisions:

The parties set up a mechanism to jointly use the foreign representative offices, including functional cooperation between REC and VEB.RF in relation to their portfolios of customers and projects and joint participation in local business events

In 2019, VEB.RF was involved in the System Measures of Support for International Cooperation and Export federal project.



NATIONAL PROJECT INTERNATIONAL COOPERATION AND EXPORT

FEDERAL PROJECTS INCLUDED IN THE NATIONAL PROJECT:

- | | |
|-----------------------------------|---------------------------------|
| → Industrial Export | → International Trade Logistics |
| → Export of Agricultural Products | → Export of Services |

- **System Measures of Support for International Cooperation and Export**
 The federal project System Measures of Support for International Cooperation and Export is supervised by REC's CEO

The goal of VEB.RF's involvement is to facilitate the development of export support. In the reporting period, a total of 28 projects with export potential were considered, with three of them jointly supported by VEB.RF and REC. Support was provided for projects in the automotive, power engineering and petrochemical industries.

Working under a joint programme, VEB.RF and REC formalised procedures for transferring projects to each other. In 2019, two projects in the agricultural and automotive sectors were transferred from VEB.RF to REC. In addition, VEB.RF and REC agreed on how to send requests for financial support for exports and created a common product catalogue included in the Razvivay.rf platform.

The year 2019 was a significant milestone in the development of support for Russian non-resource exports.

Key industries supported in 2019

- power engineering
- railway engineering
- urban transport

A new important area is projects with payments in roubles and national currencies.

Rouble-denominated transactions took the lead in cooperation with EAEU member countries in 2019.

Major markets for export projects in 2019**Traditional regions:**

- Belarus
- Kazakhstan
- other EAEU member countries

New regions:

- Middle East
- Africa
- Latin America

Uzbekistan is one of VEB.RF's largest partners in export projects.

VEB.RF contributed to the successful completion of transactions to supply underground carriages and power equipment in 2019.

Big projects are in the pipeline for the coming years. A large number of transactions are planned for Eastern Europe and South-East Asia. A significant geographic expansion of export transactions is expected to take place in 2020.

Major export transactions and agreements in 2019**Agreement with Belarus to provide support for exports to third countries**

In December 2019, the Belarusian Government and VEB.RF agreed on the terms and conditions of VEB.RF's support for both Belarusian exports and Russian-Belarusian joint exports to third countries.

The main changes in 2019 allow the export support mechanism to be used for exports not only to Russia but also to third countries (outside the Union State of Russia and Belarus).

"Belarusian manufacturers can now take advantage of the Russian programme to have subsidised loan interest rates for the export of Russian-made components in their end products. Buyers from third countries will, in turn, be able to use the Belarusian programme subsidising interest rates for products imported from Belarus and containing Russian components."

Nikolay Tsekhomsky

First Deputy Chairman and Member of the Board, VEB.RF

Project to supply new underground carriages to Uzbekistan

The loan agreement to finance the supply of carriages and provide ancillary equipment and services for the Tashkent Metro was signed by VEB.RF and the National Bank of the Republic of Uzbekistan for Foreign Economic Activity (NBU) in May 2019. The total value of the export contract is EUR27.675mn.

An official ceremony took place in September to mark the VEB.RF-financed supply of modern Russian underground carriages to Tashkent. The rolling stock, the new "Moscow" version of carriages, was made by Moscow-based Metrovagonmash (part of Transmashholding).



Contribution from the REC Group

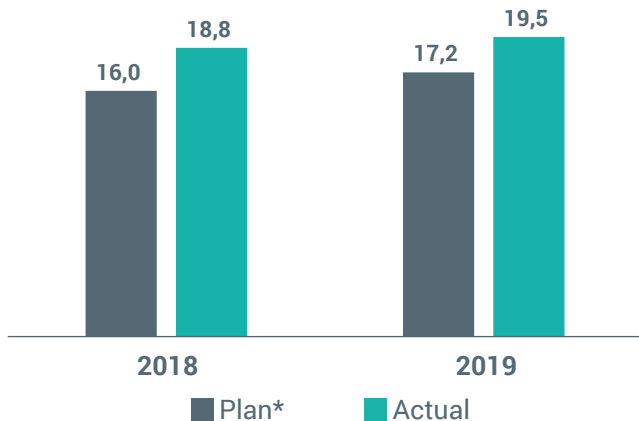


RUSSIAN EXPORT CENTER

Russian Export Center provides Russian exporters with a wide range of financial and non-financial support services.

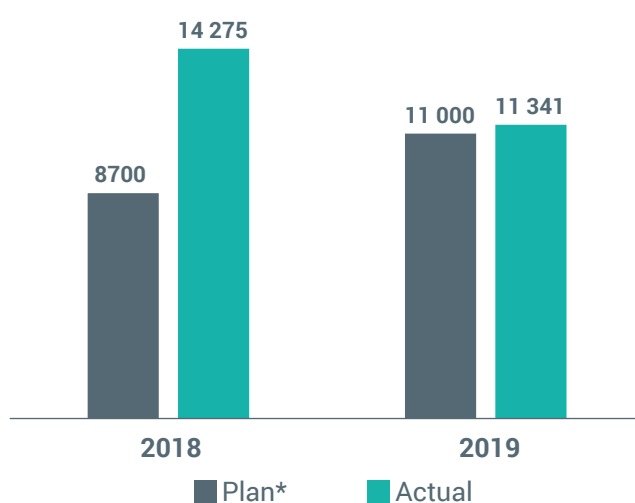
EXPORTS SUPPORTED BY REC OPERATING AS A SINGLE INSTITUTION

USD bn



Exports supported in 2019 were 3.7% and 35.4% larger than in 2018 and 2017 respectively

NUMBER OF EXPORTERS USING REC SERVICES



SMEs accounted for 80% in 2019

On 29 November 2019, during the 14th Annual International Conference on Eurasian Economic Integration, the Eurasian Development Bank and REC, together with EXIMBANK OF RUSSIA, officially announced an individual loan agreement to support the supply of Russian high-technology photovoltaic modules under an export contract between Hevel Group, Russia, and KB Enterprises, Kazakhstan.



The financed export contract is part of a turnkey project to build a solar power station in the Akmola Region, Kazakhstan. The loan agreement will be insured by EXIAR.

REC Group's involvement in the federal projects for export development



NATIONAL PROJECT INTERNATIONAL COOPERATION AND EXPORT

FEDERAL PROJECT SYSTEM MEASURES OF SUPPORT FOR INTERNATIONAL COOPERATION AND EXPORT

Reduce administrative and regulatory barriers in tax, currency and customs legislation

- The first regulatory package was developed and implemented; the second regulatory package was developed and its implementation is under way

Enable international market players to use REC's digital platform on a one-stop shop basis

- Road maps were submitted for consideration by the Presidium of the Presidential Council for Strategic Development and National Projects to digitalise REC's relationships with government authorities and international market players, including using the e-government infrastructure

Support laboratory facilities and ensure the recognition of test results to defend the interests of Russian manufacturers in the development of international standards

Build a single framework for promoting exports to unite all export support organisations in Russian regions

- 85 points of presence, including export support centres, REC's representative offices, and foreign-based entities (Russian trade missions and REC's offices)

Pursue an acceleration project

- Work is done on creating an integral system of educational, financial and non-financial measures to support and accelerate the development of export activities of companies, including new entrants to export markets

REC is also involved in federal projects (Industrial Export, Export of Agricultural Products, Export of Services).

Specifically, REC participated in formulating and launching the following initiatives:

- corporate competitiveness improvement schemes (REC is the agent for the Russian Government under the programme to subsidise interest rates);
- incentives for government-linked companies to export their products;
- improvement of the sectoral regulatory framework;
- Russian industrial area in the Suez Canal Economic Zone, Egypt;
- Strategy for the Development of the Export of Services until 2025 (REC approved and implements a road map for carrying out the action plan of the Strategy for the Development of the Export of Services until 2025).

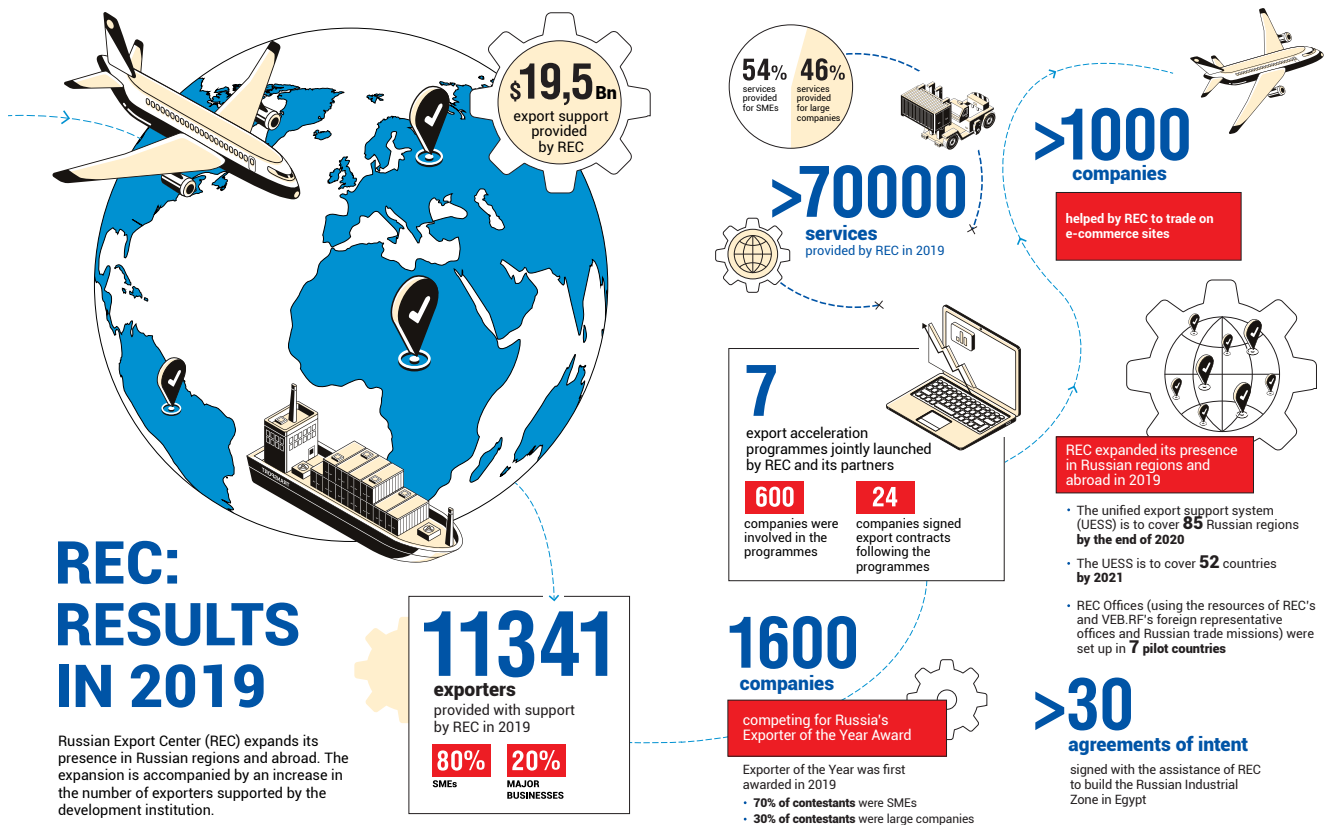
Key results of REC's participation in federal projects

- 600 companies were involved in export acceleration programmes jointly launched by REC and its partners
- Test operation was completed with respect to the deliverables of the first phase of the project to set up the One-Stop Shop and Exporter Register information systems
- The product line was updated; financial solutions were developed for SMEs; the toolkit for creating new export and export-oriented production was expanded; the products designed to promote exports through e-commerce channels were relaunched
- Support was provided for projects in the pharmaceutical, metallurgical, consumer goods and timber industries
- The pilot project was completed to build the unified export support system (UESS) abroad and in Russian regions, including creating a network of export trade advisers (ETAs) and export service partners (ESPs),* with over 90 ETAs and over 50 ESPs in more than 100 countries

* ETAs and ESPs are Russian and foreign corporate entities or individuals receiving accreditation from REC and operating under cooperation agreements to provide services to export-oriented companies in accordance with REC standards

Key results of the UESS network

- 15 REC Offices of six territorial directorates were set up
- The main elements of the foreign agent network covering more than 100 countries were created
- The regional and foreign networks launched three pilot projects
- The integrated software and hardware system is available to:
 - 26 staff members of trade missions and five employees of VEB.RF in 15 pilot REC Offices
 - 260 staff members of 79 export support centres
 - 91 ETAs
- Work was done on integrating products, personnel and technologies of REC and export support centres. Joint projects are under way. A tool was provided to build a common database of exporters (uniform exporter register)



Non-financial support for export projects

In 2019:

- REC provided over 70,000 services, with SMEs representing 54% of service recipients;
- about 1,000 Russian companies were provided with access to export on e-commerce sites;
- 10,522 new users registered on the REC personal account page.

REC and the Trade and Development Bank of Mongolia (TDBM) entered into a cooperation agreement in 2019 to support Russian-Mongolian trade. REC and TDBM intend to support Russian-Mongolian projects related to the export of Russian-made products to Mongolia. Russian exports are mostly minerals, food products, agricultural raw materials, machinery, equipment, vehicles, chemicals, metals and metal products. Over the past two years, total exports to Mongolia with support from the REC Group have reached about USD205mn.

Non-financial support needed by exporters

Most popular services requested by exporters:

- search for foreign buyers
- search for suppliers of Russian goods, work and services requested by foreign buyers
- advice from representatives of foreign networks in target countries

The unified export support system received 2,310 queries about these products in 2019

Main types of non-financial services received by exporters from the industries provided with the largest export support:

- export licences (agriculture)
- support for exports (engineering)
- search for partners (metallurgical industry)
- certificates of free sale (pharmaceutical, cosmetics and chemical industries)

In 2019, joint offices of the Ministry of Industry and Trade and REC began operation in India, Vietnam, Uzbekistan, China, Germany, Turkey and Singapore. Preparations started for the opening of offices in Italy, Kazakhstan and Malaysia. Joint offices offer exporters all options of government support and promotion, from administrative support (trade missions) to export credit guarantees and insurance. Setting up such integrated entities made a major change to the system of trade missions.

Environmental and social assessment of projects in the REC Group

In providing financial support, the REC Group's companies assess the social and environmental risks of export and investment projects in accordance with the principal provisions of the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence and their bylaws based on the Common Approaches.

The REC Group operates under the following internal regulatory documents that govern social and environmental due diligence for projects:

- Corporate Regulation of the REC Group on Assessing Environmental and Social Impacts as Part of Reviewing Requests for Financial Support for Exports;
- Regulation of EXIAR on Assessing Environmental and Social Impacts as Part of Reviewing Requests for Insurance;
- Regulation of EXIMBANK OF RUSSIA on Assessing Environmental and Social Impacts as Part of Reviewing Requests for Financial Support for Exports.

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

In accordance with the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence and in accordance with the internal regulations, projects are assessed for compliance with the following international standards:

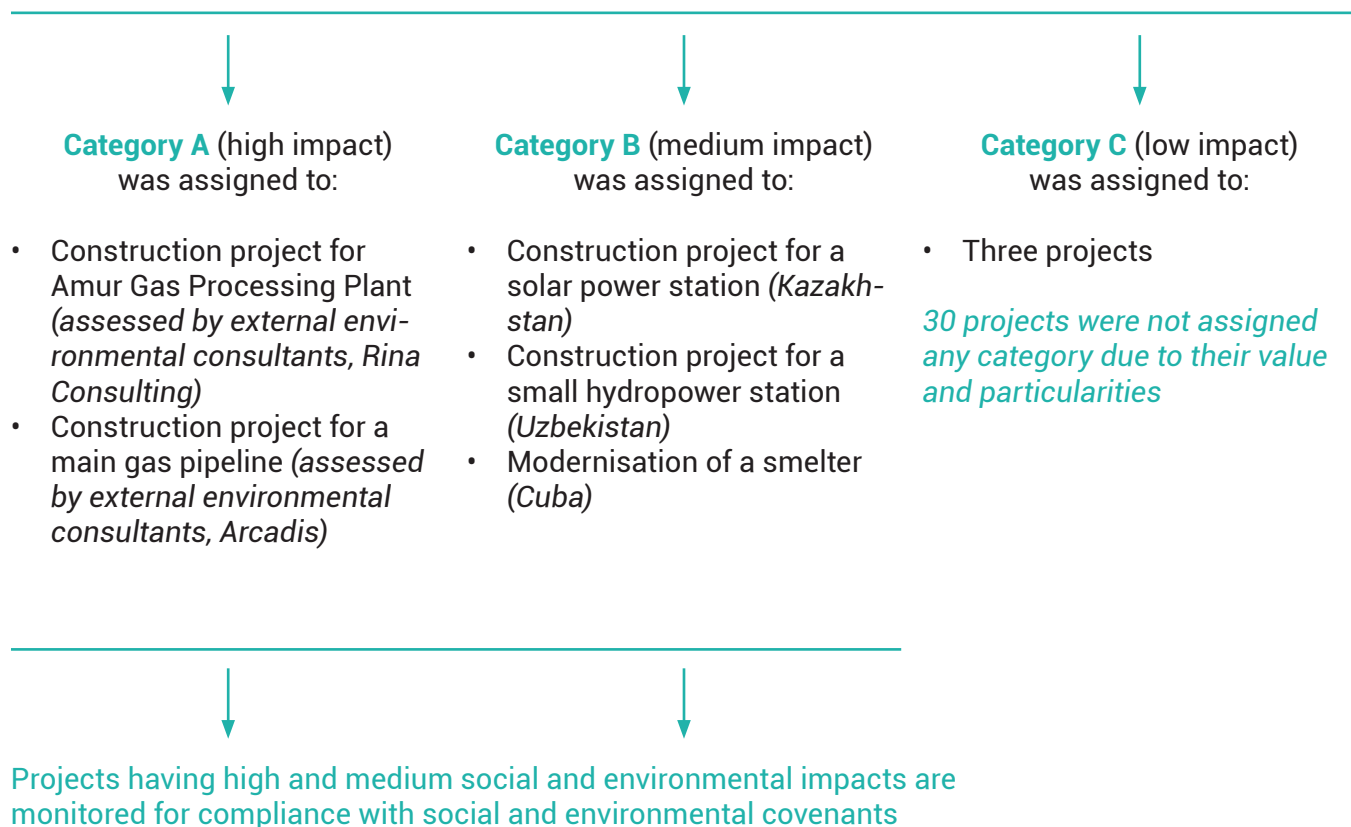
The principal relevant international standards are as follows:

- IFC Performance Standards on Environmental and Social Sustainability;
- World Bank Safeguard Policies;
- World Bank Group Environmental, Health, and Safety Guidelines;
- UN Guiding Principles on Business and Human Rights.

In 2019, the REC Group provided training for 42 employees in corporate compliance with international standards.

Social and environmental impacts assessed for projects in 2019

REC assessed social and environmental impacts of **38 projects**, including screening and detailed social and environmental due diligence



Monitoring of compliance with social and environmental covenants in 2019

Category A (high impact)

Monitored with external independent environmental consultants engaged. Monitoring includes examining compliance reports and conducting regular inspections

- Construction project for the Yamal LNG Plant (*monitored jointly with consultants, Rina Consulting*)
- Construction project for a liquid hydrocarbon facility (Uzbekistan) (*monitored jointly with consultants, Ramboll Environ*)

Category B (medium impact)

Monitored without external consultants engaged. Monitoring consists of examining compliance reports, including the implementation of social and environmental action plans

- Rehabilitation project for a thermal power station (Belarus)
- Construction project for a steel mill (Belarus)
- Construction project for a smelter (Uzbekistan)

Information support for Russian exporters

To provide information support for Russian exporters, promote services offered by the REC Group and raise brand awareness, REC attended and organised more than 410 events in 2019, including over 90 abroad.

Major events attended by REC in 2019

- 10th Gaidar Forum: Russia and the World
- Business Russia Forum
- Sochi Russian Investment Forum 2019
- Russian-Indian Business Forum, as part of a business delegation headed by Russian Minister of Industry and Trade Denis Manturov (Mumbai, India)
- Development Institution Forum (part of the Russian Business Week)
- 12th Session of the Russian-Arab Business Council and the 4th International Exhibition ARABIA-EXPO
- 5th Yalta International Economic Forum
- 2nd International Industrial Exhibition EXPO-RUSSIA UZBEKISTAN 2019 and the Tashkent Business Forum
- 20th SIAL China
- St. Petersburg International Economic Forum
- 6th CREXPO (Harbin, China)
- Russia-Africa Economic Conference
- 10th International Industrial Exhibition INNOPROM
- Global Manufacturing and Industrialisation Summit (GMIS)
- Caspian Economic Forum (Turkmenbashi, Turkmenistan)
- Eastern Economic Forum
- 5th International Specialized Exhibition IMPORT SUBSTITUTION
- Intentional Forum EURASIAN WEEK (Bishkek, Kyrgyzstan)
- 2nd Interregional Export Forum IEF'19
- Russian Energy Week
- Open Innovations Forum 2019
- Russia-Africa Economic Forum (part of the Russia-Africa Summit)
- 10th Anniversary International Forum AUTOEVOLUTION 2019
- 14th Annual International Conference "Eurasian Economic Integration"

In pursuit of the goals of the International Cooperation and Export national project, REC launched Russia's Exporter of the Year Award in 2019. The award is intended to stimulate companies to promote their export activities, help to identify and encourage export champions, and introduce best practices in the area of international trade.

1,600 companies competed for the Exporter of the Year Award in 2019, with 70% of them being SMEs.

The project included eight contests in federal districts. The award ceremony of the national stage took place during the plenary session of the International Export Forum: Made in Russia, held by REC in Moscow on 14 November 2019.¹⁸

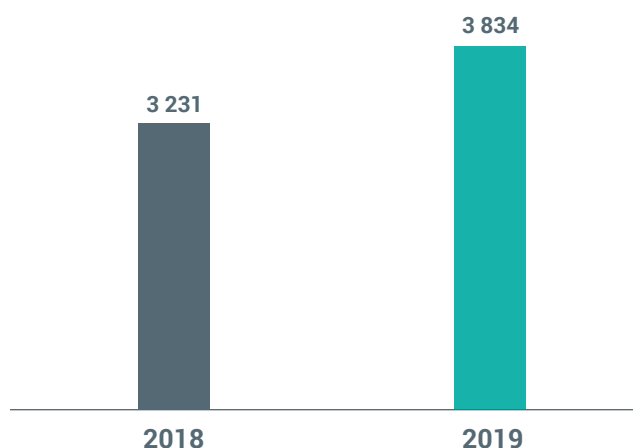
In total, the forum was attended by about 4,000 participants from 50 countries. More than 300 representatives of exporters took part in workshops organised by REC's School of Export.

The forum included an exhibition with the best samples of products exported by more than 70 companies from six Russian regions, including various industrial and agricultural producers, as well as participants in the Made in Russia voluntary certification programme. On the sidelines of the forum, nine agreements were signed to promote Russian exports.

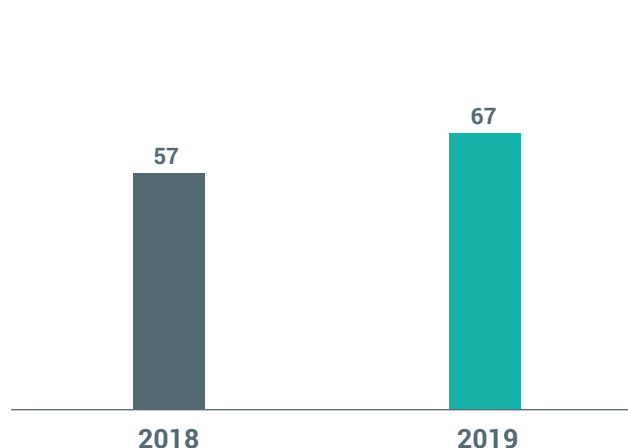
REC's School of Export and acceleration programmes¹⁹

Direct non-financial support for exports

NUMBER OF UNIQUE COMPANIES RECEIVING TRAINING SERVICES FROM REC'S SCHOOL OF EXPORT



NUMBER OF REGIONS COVERED BY TRAINING PROGRAMMES OF REC'S SCHOOL OF EXPORT



As part of direct non-financial support for exports, Russian Export Center's School of Export provided training services to 3,834 unique companies in 2019, including 3,621 participants in in-person export workshops in 67 regions where the "Export Project Life Cycle" programme was implemented, and 213 companies under the online skills improvement programme.

¹⁸ The forum is held annually under Resolution of the Government of the Russian Federation No. 572 of 8 May 2019 "On the Establishment of the All-Russian Award in International Cooperation and Export 'Exporter of the Year' and on the Holding of the International Export Forum 'Made in Russia'".

¹⁹ Russian Export Center's School of Export was founded by entities of the REC Group.



Cooperation with Russian regions

In 2019, REC's School of Export signed agreements to hold export workshops under the Export Project Life Cycle programme with 67 Russian regions, ten of which joined the programme only in the reporting year.

A comprehensive educational session was held for regional candidates for trainers in 11 courses under the programme "Organisation of Russian Export Activities for Trainers". The session was attended by 158 candidates from 58 Russian regions. The skills improvement programme resulted in certifying 115 unique regional representatives as compliant with the trainer requirements for export workshops on the relevant topics of the Export Project Life Cycle programme, using the materials and standards of REC's School of Export.



Acceleration programmes of REC's School of Export

In order to support and accelerate the development of Russian exports, REC's School of Export launched several acceleration programmes in 2019, consisting of training modules and consultancy services.

Jointly with the Russian Ministry of Economic Development, an acceleration programme, Accelerator of Export Growth, was implemented under a national project, Increasing Workforce Productivity and Supporting Employment. The programme is aimed at developing practical skills among medium-sized and large businesses to efficiently structure their export projects, minimise risks, reduce costs, and use government support tools for the replicability and scalability of their export activities. **In the reporting year, 161 businesses involved in this national project took part in the acceleration programme. As at the end of 2019, 15 businesses signed 26 export contracts based on the programme.**

To provide acceleration support to regional small and medium-sized enterprises, REC's School of Export launched the acceleration programme "Export Forsage" in five pilot regions. **The total number of regional export-oriented SMEs participating in the programme is 52.**

Using the resources of the Export Support Centre of the Udmurtian Republic, REC's School of Export carried out an acceleration programme for defence companies in Udmurtia. **The programme had 12 participants. Following the acceleration programme, six companies signed 15 export contracts.**

REC's School of Export and SIBUR Holding completed a joint acceleration programme attended by ten export-oriented suppliers from the holding company. **As a result, all of them confirmed the signing of export contracts.**

Jointly with KPMG, REC's School of Export was involved in an export acceleration programme organised by the Entrepreneurship Support Fund of the Republic of Tatarstan. **Off-the-job training took place in Kazan under the school's own acceleration programme, and consultancy services were provided to 120 participating companies.**

Partner programmes

- Under the co-branded acceleration programme "Exporters 2.0" carried out in partnership with Moscow School of Management SKOLKOVO, training was organised for 65 participating companies;
- As part of the training programme implemented for regional (municipal) teams by Synergy University at the initiative of the Russian Ministry of Economic Development, 2,000 participants from 44 Russian regions received training from REC's School of Export;
- A workshop on the REC Group's products was organised for VEB.RF employees;
- Online training was provided under programmes of REC's School of Export for 54 staff members of 14 Russian trade missions;
- In order to form a pool of accredited experts in support for acceleration programmes of REC's School of Export, candidates were selected on a competitive basis for training under modular skills improvement programmes. Based on the selection, 44 candidates were chosen from among 128 (representing 28 Russian regions). After training and certification, 23 were awarded the status of mentor, 19 the status of tracker, and two the status of expert; 33 candidates were certified as trainers in separate modules of acceleration programmes.

Cooperation with universities

REC's School of Export launched or implemented campaigns and programmes in 2019 as part of extended occupational and higher education in cooperation with the following universities:

- Plekhanov Russian University of Economics (*joint professional retraining programme "Business Administration and Export Management"; webinars, workshops and consultations on export under a short-term programme for students at the university's branch in Tashkent, Uzbekistan*);
- MGIMO and Kazan Federal University (*training for civil servants representing the Republic of Tatarstan in Russian regions and abroad*);
- Russian Foreign Trade Academy (*inclusion of a course on finance in the master's degree programme "Finance in International Business"*);
- Tomsk State University (*inclusion of REC's School of Export modules in the master's degree programme "Eurasian Integration"*);
- Russian Presidential Academy of National Economy and Public Administration (*expert participation in the programme "Bank Leader 4.0" for the directors of regional branches of the Russian Agricultural Bank*);
- Far Eastern Federal University (*cooperation agreement and a detailed road map for the joint programme "Export to CHINA"*).

Preparation and updating of training programmes

To organise the educational process for additional skills improvement programmes and confirm the qualifications of (provide re-certification for) the training staff of REC's School of Export, special training programmes were approved. Following in-person and online training, REC's School of Export issued 1,069 skills improvement certificates.

Social Impact Bonds

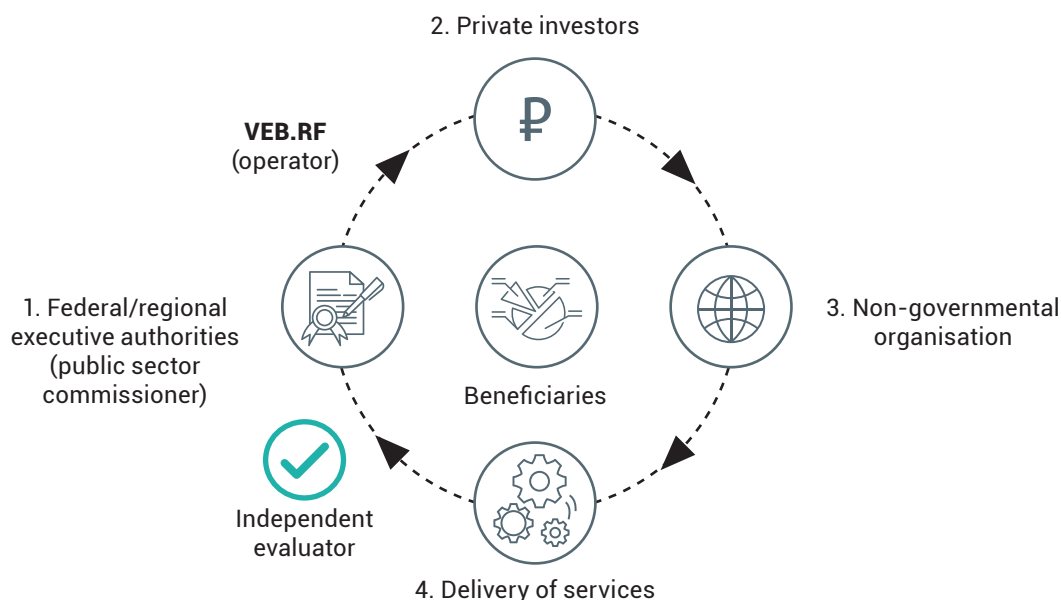
VEB.RF works to develop new financial mechanisms for the social sphere through the interaction of business, government, development institutions and socially oriented not-for-profit organisations. This approach creates the conditions for the development of new technologies for social services and shapes new quality of life for all.

In cooperation with the Russian Ministry of Finance and the ministries responsible for social issues, with the assistance of the Russian Ministry of Economic Development, VEB.RF began to introduce a new financial mechanism, namely social impact bonds (SIBs). Russian SIB projects are similar to their foreign counterparts also known as social impact contracts. Social impact bonds offer a new financial mechanism aimed at resolving social issues in the regions and at achieving national development goals under national projects. SIBs are designed to attract private investors and non-governmental organisations to resolve social issues, while repayment from the government to investors is contingent on the achievement of specified social outcomes. The principles of using the SIB mechanism were previously laid down in the concept approved by Ordinance of the Government of the Russian Federation No. 117-r of 31 January 31 of 2019 to increase the efficiency of public funding in 2019–2024.

VEB.RF's initiative was reflected in Resolution of the Government of the Russian Federation No. 1491 of 21 November 2019 "On the Organisation of SIB Pilot Testing in Constituent Entities of the Russian Federation in 2019–2014". Under paragraph 5 of the resolution, VEB.RF acts as an operator of such projects.



The operator is responsible for SIB structuring, prepares the project's financial model (including the methodology for calculating the outcomes and the grant), searches for investors, selects service providers, ensures the signing of agreements, monitors the project's progress, and organises independent evaluation. The operator builds up the interaction between all project participants and is technically the guarantor of project implementation and the fulfilment of participants' obligations.



International SIB efforts started in 2010. About 140 SIB projects are under way in various sectors, most of them related to social services and employment. Total investment is over USD440mn. Projects in the area of justice, education, employment, healthcare etc. sold are implemented in countries such as the US, the UK, Germany, Australia, Canada, the Netherlands, Colombia and India.

During the St. Petersburg International Economic Forum in 2019, agreements were signed to launch the first pilot SIB in the Republic of Sakha (Yakutia). The project is scheduled for implementation in 2019–2022 and designed to improve schoolchildren's academic performance. The project aims to improve the quality of general education, make human resources more competitive and transform the management mechanism of general education. About 5,000 children and over 700 teachers from 27 schools in the Khangalassky Municipal District will be covered by the project. The specified outcome of the project is an average growth of 10% in academic performance, which is expressed through an index built on the weighted sum of Yakutia schoolchildren's results of basic and unified state examinations and academic competitions.

The investor is one of VEB.RF's entities, the Far East Development Fund.



The SIB project in the Republic of Sakha (Yakutia) **became the first in Russia**. The Higher School of Economics was selected as the service provider. Its leading experts will provide additional training (including online) for three years, help schoolchildren to choose individual educational programmes, train teams of managers and teachers, create schools' professional communities and build up communication among schools. The project involves not only schoolchildren, teachers and school managers, but also parents and the local community. The primary goal is to create the conditions for professional growth and development among teachers and school managers, transform organisational and managerial mechanisms and create an educational ecosystem of the Khangalassky Municipal District.





It is noteworthy that the project is not an intervention from the outside. Its activities are developed jointly with representatives of the local educational system, based on existing traditions and unique experience. This is why the first stage of the project is analysis, including a detailed study by Higher School of Economics scientists of local educational materials and documents and information in the public domain, along with visits to schools. In addition, “smart analytics” included interviews and focus groups among schoolchildren, parents, teachers and school principals, which were aimed at identifying the particulars of the educational process, personnel management and relations with individual groups of schoolchildren and parents and at assessing parents’ involvement in the educational process. The analysed information made it possible to formulate and propose an action plan, which had already proven effective for similar purposes in other Russian regions and foreign countries. The activities were grouped into five main areas, where active work began in 2019:

School of Success: in-person and online additional training for various groups of schoolchildren (non-achievers, underachievers, motivated and gifted children), as well as psychological training sessions for personal growth and creative activities.

Effective School: professional growth of teachers and school leaders, identification of proactive teachers who want to share their knowledge and skills with colleagues. Special advanced training courses are developed under the project for teachers working with unsuccessful children and schoolchildren with disabilities, for psychologists and classroom tutors.

Our School: involvement of the parent community in the educational process, participation in preparing the school curriculum, discussions with parents and schoolchildren about the selection of vocational courses and future occupations. In addition, the project includes involving the local community and businesses in the implementation of the project.

Partnership and Mentoring: creation of teacher communities, interschool partnerships, schools’ communication with additional education establishments, research and culture organisations and universities.

Information Support: activities related to enhance the involvement and maintain the motivation of project participants, restoring the tradition of school press centres and attracting media coverage. An important event in the project was the development of the logo and brand guide, taking account of the local traditions of the Khangalassky Municipal District.

VEB.RF considers setting up SIB projects in various sectors of the social sphere. Particular attention is paid to projects whose implementation will contribute to the achievement of national goals and strategic objectives of the Russian Federation. At present, VEB.RF is active in considering the following:



**EDUCATION FOR DEVELOPMENT
AND BETTER QUALITY OF LIFE**

Support for families with children:

- psychological, pedagogical and methodological support for parents,
- assistance to underachievers,
- assistance to children with deviant behaviour and from families with low social status,
- support for low-income mothers who are to give birth to their first children,
- assistance with infant development for children under three,
- implementation of a programme of psychological, pedagogical, methodological and advisory assistance to parents of children receiving preschool education in the family;
- prevention of social orphanhood/Rehabilitation of children from families with social risks;
- training, employment, psychological counselling and mentoring for:
 - unemployed young people aged 17–24,
 - retired people,
 - people with disabilities;
- criminal rehabilitation and resocialisation;
- assisted living for people with disabilities, including mental disorders.

VEB.RF launched a special section²⁰ on its official website with information about the SIB mechanism. Its target audience primarily includes not-for-profit organisations, investors and the media, along with regional executive authorities interested in social impact bonds. The section describes how the SIB mechanism works, gives updates on project implementation and enables to send an application for participation in a project (sib@veb.ru).

Innovation and Digital Economy

During the reporting period, VEB.RF participated actively in the Digital Economy of the Russian Federation national programme (the “Programme”).

In order to facilitate the import substitution of digital products and under the memorandum signed at the Russian Investment Forum on 14 February 2019 by Russian Railways, Rostec and VEB.RF to cooperate in import substitution, innovative development and digital economy projects, the road map was prepared and signed at the St. Petersburg International Economic Forum on 7 June 2019 to promote the import substitution of digital products at Russian Railways, with possible funding from VEB.RF. VEB.RF started to work with the Russian Ministry of Transport on projects for digitalisation in the transport sector.



With support from VEB.RF and the Russian Ministry of Construction, Housing and Utilities, Russia’s first Smart Sustainable Hack hackathon was held in Moscow, preparing solutions for the key areas of the Smart City federal project. The strategic partners of the hackathon were NP Market Council, international electric utility EDF and Fortum. The winning teams received prize money, submitted their projects to VEB.RF’s management, and were invited to introduce their solutions into cities participating in the Smart City programme, including Volgograd, Kaliningrad and Derbent.

In order to raise the attractiveness of the terms of financing provided by VEB.RF in the digital economy sector, VEB.RF took an active part in discussing a draft government resolution proposed

²⁰ <http://veb.ru/agent-pravitelstva/sib/>.

by the Russian Ministry of Communications and Mass Media with respect to the rules for granting federal subsidies on preferential terms for projects to transform high-priority sectors of the economy and social sphere, using domestic products, services and platform solutions built on end-to-end digital technology.

To reach the goals of the Human Resources for the Digital Economy federal project, which is an integral part of the Programme, VEB.RF took part in events aimed at creating a system of training highly qualified, sought-after professionals in the area of digital technology.²¹

In order to develop an innovation ecosystem in Russia, digitalise the economy, build an integrated system of financing projects for the development and introduction of digital technologies and platform solutions, an investment support model was created to provide economy digitalisation projects with funding at different stages of their life cycle through VEB.RF, VEB.RF entities and other development institutions and through subsidisation under the economy digitalisation programme.

For instance, at the St. Petersburg International Economic Forum, a cooperation agreement was signed by VEB.RF, Promobot (a resident of the Skolkovo Foundation), RSMB Corporation, REC and the Perm Territory Government to provide support for the activities of Promobot, a leader in the Russian robotics market.

Similar agreements were entered into with several other residents of the Skolkovo Foundation, including Sputniks, Samokat Sharing and New Chemical Products.

For instance, at the St. Petersburg International Economic Forum, a cooperation agreement was signed by VEB.RF, Promobot (a resident of the Skolkovo Foundation), RSMB Corporation, REC and the Perm Territory Government to provide support for the activities of Promobot, a leader in the Russian robotics market.

Similar agreements were entered into with several other residents of the Skolkovo Foundation, including Sputniks, Samokat Sharing and New Chemical Products.

In order to support and carry out projects for the introduction of modern technologies and solutions aimed at improving the performance of companies, development institutions signed an agreement²² during the St. Petersburg International Economic Forum in 2019 to cooperate in promoting the model for stimulating large companies to use innovations and launching the Pilot Factory. The Pilot Factory participants collaborate to find and select technology projects as requested by corporations, conduct a targeted public project selection, provide methodological and information support for technology projects within the competencies and capabilities of the parties, and provide financial support for technology projects. Another important function of the Pilot Factory is to build a "matrix of needs" for large Russian companies and corporations in innovation and digital areas necessary for their business development.



²¹ Resolution of the Government of the Russian Federation No. 1598 of 5 December 2019

²² The agreement was signed by VEB.RF, the Agency for Strategic Initiatives, Russian Venture Company, the Skolkovo Foundation, the Internet Initiatives Development Fund, and the Roscongress Foundation.



Hosted by the Agency for Strategic Initiatives, the Pilot Factory included targeted project selections in the following areas: technology designed to improve business productivity and efficiency; digital solutions for large companies; conversion solutions and projects for defence companies with a focus on non-defence products; start-ups in the area of industrial production, power and agricultural engineering; telecommunications and information security. Each selected project in these areas was provided with a support road map using development institutions' services intended for the Pilot Factory project office. The projects received the indicative terms of financing from VEB.RF in the amount of RUB2.3bn, and SME Bank provided funding of RUB50mn. A project funnel was created for VEB.RF entities in the amount of RUB5bn.

At the St. Petersburg International Economic Forum in 2019, a Pilot Factory agreement was signed to launch the Mendeleev start-up accelerator at the University of Chemical Technology of Russia with support from large chemical companies and private investors. The mission of the accelerator is to assist with the commercialisation of Russian R&D products in the area of chemical technology by creating an ecosystem for start-up acceleration and enhancing innovation activities of industrial producers.



"VEB.RF and our partners have structured our work with start-ups as an investment support mechanism: we negotiate suitable support tools based at the stage of product development. The main thing is that start-ups see opportunities offered by different development institutions and can now choose what they'll need in the future."

Alexey Ivanchenko
Deputy Chairman, VEB.RF

At the St. Petersburg International Economic Forum in 2019, VEB.RF and Russia – a Country of Opportunities signed a cooperation agreement to involve young people and students in helping VEB.RF to reach the goals of the Programme and working on innovation projects. Students were given case studies on the coordination of development institutions and business digitalisation.

In 2019 the Skolkovo Foundation, VEB.RF and other innovative development institutions developed and launched an international digital interaction platform to form a "digital footprint" of innovation projects that need support from development institutions. The platform brings together ten development institutions, contains data about more than 7,000 projects and 5,000 companies. The platform is based on the principle of trust, which is followed by all members of the IPChain network. By connecting to the platform, each development institution receives a complete set of data available to all members.

VEBVENTURES

At the St. Petersburg International Economic Forum in 2019, VEB Innovations announced its rebranding and new strategy. The company's new name is VEB Ventures; the core business is to support high-technology projects through direct transactions and the management of venture capital funds. VEB Ventures is VEB.RF's tool for the development of new technologies and companies that will be needed by the Russian economy tomorrow.

The priorities of VEB Ventures include providing financing for promising companies by using its own resources and resources of private and public funds, as well as helping Russian start-ups to enter international markets. Under the new strategy, total investment will reach RUB32.6bn by 2024, including RUB18.3bn of direct investment and RUB14.3bn of investment in funds' transactions.

VEB Ventures in figures

Indicator	2019
Number of approved investment projects	4
Value of investment commitments under projects, RUB mn	1850
Value of financing provided, RUB mn	797
Co-investment multiplier (coefficient)	3

Priority is given to projects in the area of integrated development of regions and cities, medical services, pharmaceuticals, biotechnology, new materials, as well as stimulating and enhancing the competitiveness of telecommunications, energy conservation, energy efficiency, oil and gas, and CleanTech. For instance, in the area of information and communication technology, VEB Ventures is interested in businesses that have solutions for the development of the urban environment and areas, solutions for public utility services and infrastructure facilities. Particular attention is paid to businesses dealing with green technology and energy efficiency, everything related to emission reduction.

VEB Ventures provides support for large companies through co-investment and co-management for three types of funds: Russian corporate and regional, international. Partnership in the funds will allow VEB Ventures to reduce the current shortage of late-stage investors in Russia and mitigate the risk of selling Russian high-technology companies to foreign buyers.

VEB Ventures is involved in four of the six federal projects that are part of the Digital Economy of the Russian Federation national programme and in the development of the Artificial Intelligence federal project.

Under the Digital Technology project, VEB Ventures took part in the following activities:

- Preparing and approving road maps for the development of end-to-end digital technology.
- Agreeing upon the regulations and bidding documents for the selection of leading research centres.
- Formulating requirements for the selection of leading companies in digital technology.

- Defining measures to provide preferential terms for leading companies that will collaborate with leading research centres and/or place orders for R&D in end-to-end digital technology with leading research centres.
- Preparing proposals to amend the regulatory framework for innovative development institutions in order to ensure that priority is given to end-to-end digital technology projects.
- Creating a coordinated mechanism for selecting and supporting end-to-end digital technology projects at development institutions in a simplified manner (on a fast-track basis).

These measures are aimed at achieving the goal of the federal project to build an integrated system of financing projects for the development and/or introduction of digital technologies and platform solutions with venture capital financing and funding from other development institutions (ninth subparagraph of paragraph 11(b) of the Decree).

"The year 2019 is for extensive work on launching and carrying out national projects, each of which is associated with the development of breakthrough technology. Providing support for projects in all technological areas, we pay special attention to the Digital Economy programme."

Oleg Teplov
CEO, VEB Ventures

VEB Ventures took part in the development and approval of the Artificial Intelligence federal project as a member of the working group and subcommittee of the Government Commission on Digital Development on artificial intelligence.



In 2019, VEB Ventures experts participated in working groups, subgroups and expert councils under federal projects of the Programme and in the management bodies of the Programme: Human Resources for the Digital Economy; Digital Technology; Information Infrastructure; Telecommunication Networks; Data Centres; Internet of Things; Digital Infrastructure Platforms; Information Security; Expert Council of the Russian Ministry of Industry and Trade on scientific and technical assessment of integrated projects; Artificial Intelligence Development Subcommittee of the Government Commission on Digital Development.



The VEB Ventures team took part in 60 events in Russia and abroad. They were speakers at 30 events, while 20 events were organised by the company.

"The Open Innovations Forum has become a real showcase for the country's technological and innovative development. It brings together all participants in this process: politicians, corporations, development institutions, businesspeople and researchers."

Oleg Teplov
CEO, VEB Ventures

In 2019, the St. Petersburg International Economic Forum hosted a presentation of the VEB Ventures strategy; the signing of 15 agreements; a two-day start-up contest, EASTBOUND; an exhibition of innovation projects in the Territory of Innovations and in the joint stand with VEB.RF. An open international contest of artificial intelligence projects, EASTBOUND, was part of the St. Petersburg International Economic Forum.



At the Eastern Economic Forum, two agreements were signed, an exhibition stand was organised, the VEB Ventures team took an active part in the business programme. In addition, the company held a business workshop, EASTBOUND.CAMP.



"As a development institution that is part of the VEB.RF Group, and as a strategic investment fund, we have certain priorities. It is very important to understand the real needs of the market, find the right partners for joint investment in technology start-ups, because early-stage investors are the basis of the venture capital market, which promotes the growth of young projects and delivers high-quality projects at later stages."

Oleg Teplov
CEO, VEB Ventures

In order to support Russia's scientific and technological development, VEB.RF participated actively in 2019 in the project committee for the Science national project and in the councils on the high-priority areas of scientific and technological development under the Russian Scientific and Technological Development Strategy 2020 (the "Strategy 2020").

Work was done on developing and evaluating integrated scientific and technical programmes under the Strategy 2020, including the programme "New Composite Materials: Design and Production Technologies", preparing proposals for assessing the impact of scientific and technical projects and programmes on macroeconomic and sectoral growth in high-technology sectors of Russian industry.

Additionally, as part of implementing decisions of the Government Commission on the Economic Modernisation and Innovative Development of the Russian Federation in order to ensure that leading Russian government-linked companies implementing innovative development programmes are involved in national projects, the Interdepartmental Commission on Technological Development under the Government Commission on the Economic Modernisation and Innovative Development of the Russian Federation, headed by VEB.RF's Chief Economist Andrei Klepach, organised work on updating innovative development programmes of government-linked companies with due consideration to the activities and targets of national projects, primarily Science and Education, as well as the Digital Economy national programme.

Engineering

VEB Engineering is VEB.RF's centre of expertise in construction projects. The company's mission is to develop the engineering ecosystem in the Russian Federation and improve the quality of VEB.RF projects.



VEB.RF and businessman Igor Chaika decided in 2019 to set up a joint venture, Engineering.RF, with the involvement of VEB Engineering and National Engineering Corporation. The main purpose of the new joint venture will be the construction of high-technology turnkey facilities, the introduction of best available technology, and the creation of high-technology Russian production.



In 2019, VEB Engineering developed and put into test operation a system for improving the quality of project management, which not only became an integral part of the company's product range, but also is used to resolve key engineering issues, such as reducing costs of investment projects, controlling their main parameters, and improving the quality of project management. To ensure the high quality of services, work and products, the company develops measures to increase customer satisfaction and constantly improve activities in accordance with GOST R ISO 9001-2015 standard for quality management systems (QMS).

The company carried out measures to develop engineering competencies in the area of information modelling and digital design. For instance, VEB Engineering issued a new corporate standard for the provision of information modelling services in order to implement VEB.RF's decisions to ensure the accelerated introduction of digital technology into the economy and social sphere under Presidential Decree No. 204 of 7 May 2018, paragraph 1(g). The standard defines the procedure for planning and providing information modelling services in accordance with the requirements of national and other regulatory documents, including BIM standards.

VEB Engineering is engaged in environmental consulting, including the development of methodologies and procedures for social and environmental due diligence for organisations and investment projects in order to confirm their compliance with the principles of sustainable development. At the same time, the company applies global best practices, including:

- Principles of the United Nations Environment Programme Finance Initiative (UNEP FI),
- Equator Principles,
- Principles for Responsible Investment (PRI).

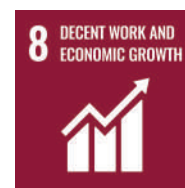
Based on the results of assessing the environmental management system, the company issues recommendations to improve the effectiveness of the system and provides financial, technical and environmental supervision for investment projects in industries with high environmental and social risks. The company's portfolio of orders includes support services for industry-specific investment projects, including those related to the technical development of industrial producers, the introduction of environmental protection technologies and best available techniques, and the development of public utility infrastructure. Particular attention is given to environmental projects, such as waste management, waste sorting, waste recovery, water treatment and wastewater disposal. The company provides support for projects in valuable but ecologically sensitive natural areas (specially protected natural areas, Baikal natural area, the Arctic etc), as well as projects for land reclamation, restoration and rehabilitation. This process includes environmental impact assessment for investment projects, preliminary due diligence for investment documents and comprehensive environmental due diligence for projects.

In 2019, VEB Engineering was involved in the Environmental Protection national project in accordance with 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" as related to the project to preserve Lake Baikal. The company's obligations under the contract with Rosgeo were fulfilled, including engineering surveys and the public collection and analysis of technological proposals from the professional community when developing a concept for the disposal of accumulated waste at Baikalsk Pulp and Paper Mill. The concept is necessary for the development of design estimates and the assessment of environmental impacts of planned activities. The results and materials were discussed at various meetings in the Federation Council and the State Duma, in the Ministry of Natural Resources and Environment of the Russian Federation and the Irkutsk Region, in the Civic Chamber of the Russian Federation. According to Decree of the President of the Russian Federation No. 204 of 7 May 2018, paragraph 7(b), to preserve unique water bodies, including the implementation of the Lake Baikal preservation projects and related clean-up measures is one of the most important tasks under the national environmental project. The Baikalsk waste disposal sites, which operated for more than 50 years, occupy considerable areas requiring rehabilitation. Measures to reduce the area of land with high and extremely high pollution, which affects the lake, are a continuation of the waste disposal programme and a continuation of a federal targeted programme, Lake Baikal Protection and Socio-economic Development of the Baikal Natural Area for 2012–2020. The programme also aims to create good conditions for living in Baikalsk (13,600 local residents).

The company launched a website, Clean Baikal (<https://cleanbaikal.ru>), which received a special award in the Joint Contest "Golden Site" and "Golden Application" in the category "People's Vote".

Developing the Far East and the Arctic

Development of the Far East and the Arctic is a priority of VEB.RF's investment policy. VEB.RF has projects in the pipeline for the chemical, oil and gas, shipbuilding, manufacturing, port and transport infrastructure, and other industries. Particular attention is paid to urban economy projects. VEB.RF works in the regions closely with other development institutions, namely DOM, RF and RSMB Corporation.



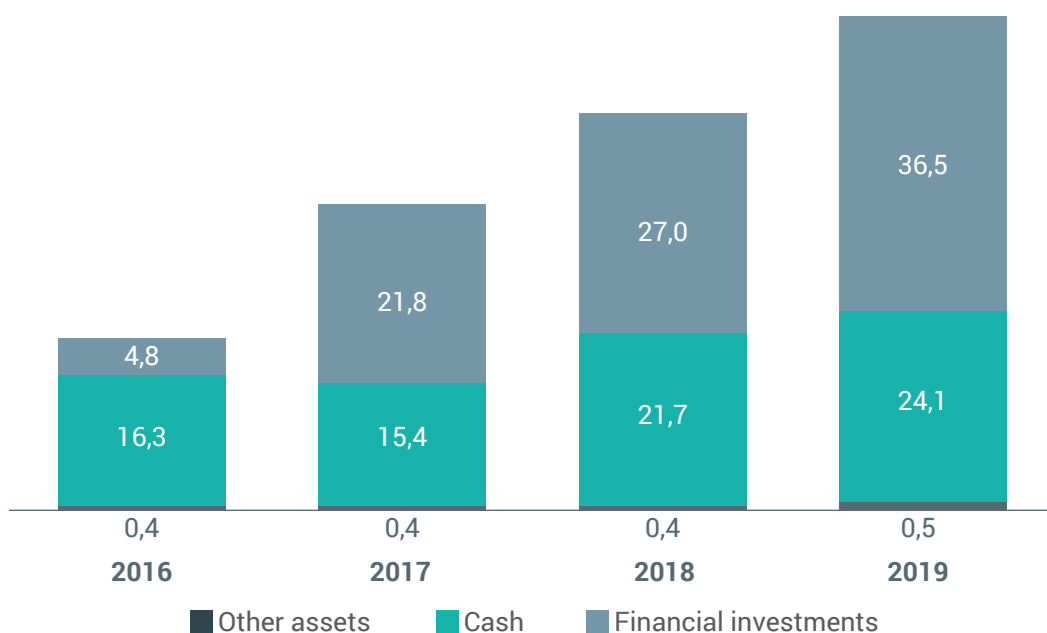
The leading role in reaching these goals belongs to one of VEB.RF's entities, the Far East Development Fund (FEDF).

During the plenary session of the Arctic Forum in 2019, Russian President Vladimir Putin announced that the FEDF's operations would be extended to the Russian Arctic. Consequently, VEB.RF, as a shareholder of the FEDF, decided to change the Russian name of the organisation by adding the word "Arctic", effective from 23 October 2019.

As a government-controlled development institution, the FEDF acts as a catalyst for the investment process in the region, contributing to the accelerated socio-economic development of the Far East. The FEDF encourages investment in the Far East and the Arctic by providing long-term financing on preferential terms (from 5% per annum in roubles) for high-priority investment projects in various industries (infrastructure, mining and processing of minerals, support for small and medium-sized businesses, agriculture etc). The FEDF's total assets are RUB61.1bn.

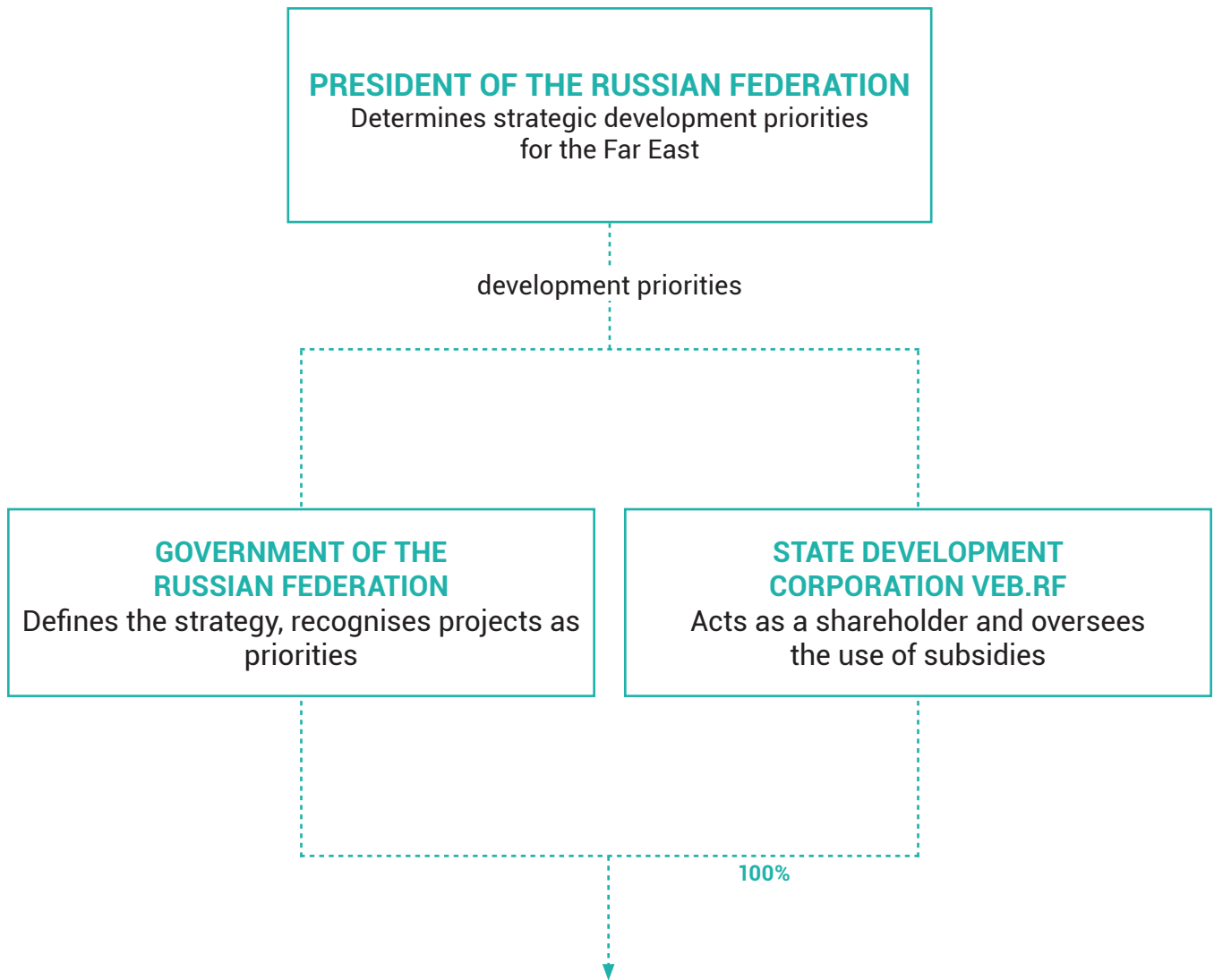
ASSETS

RUB bn



The FEDF's priority focus areas include financing infrastructural and industrial projects on beneficial terms in the advanced development zones and the Free Port of Vladivostok created in the Far Eastern Federal District. The FEDF operates as the major investor in non-resource projects in the Far Eastern Federal District. The FEDF 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 FEDF 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 FEDF 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".



Far East Development Fund

- invests
- gives advice to the government
- operates joint funds and platforms
- partners with foreign investors

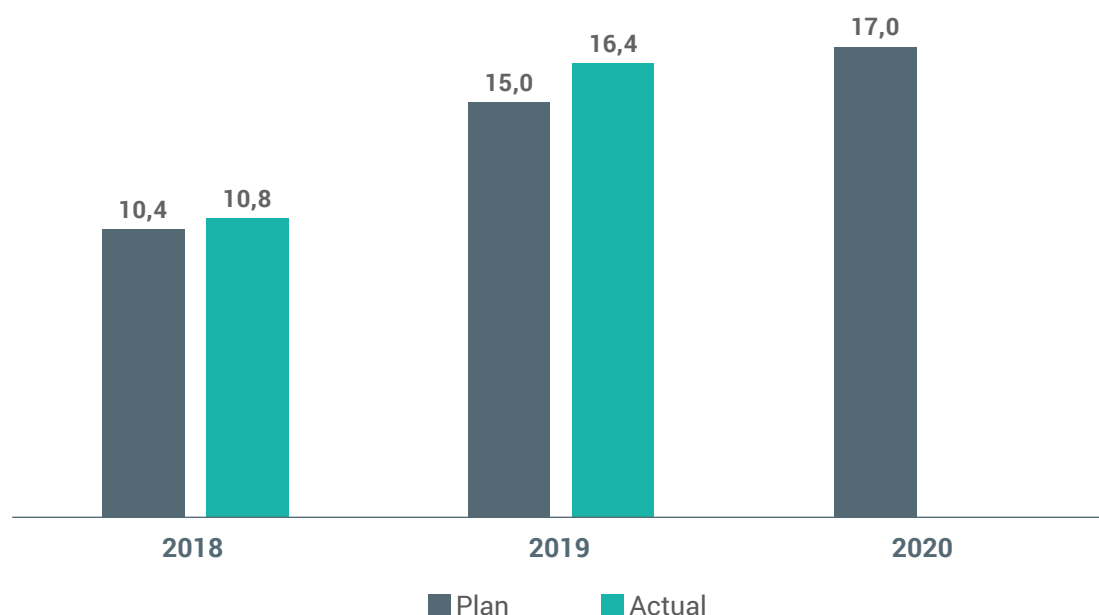
"Investment from the fund, as a state development institution, is not only important financial support at the early stage, but also allows our partners to raise much more additional funding attractive terms: from our shareholder VEB.RF, syndicates of the largest Russian banks, and foreign investors."

Alexei Chekunkov
CEO, Far East Development Fund

The FEDF's investment in infrastructural and industrial projects in the macro-region increased by 54% to RUB16.4bn in 2019. Beginning in 2015, the FEDF invested in 20 projects, including four completed projects and 16 ongoing projects as at 31 December 2019. Investment in the 16 projects totalled RUB52.5bn from 2015, including RUB43.6bn provided for the project initiators according to schedule. Total investment in projects supported by the FEDF exceeded RUB477bn. Some projects were completed in partnership with VEB.RF. The combination of funding sources made it possible to increase the Group's overall portfolio in the Far Eastern Federal District, as well as reducing the costs and extending the terms of financing for businesses.

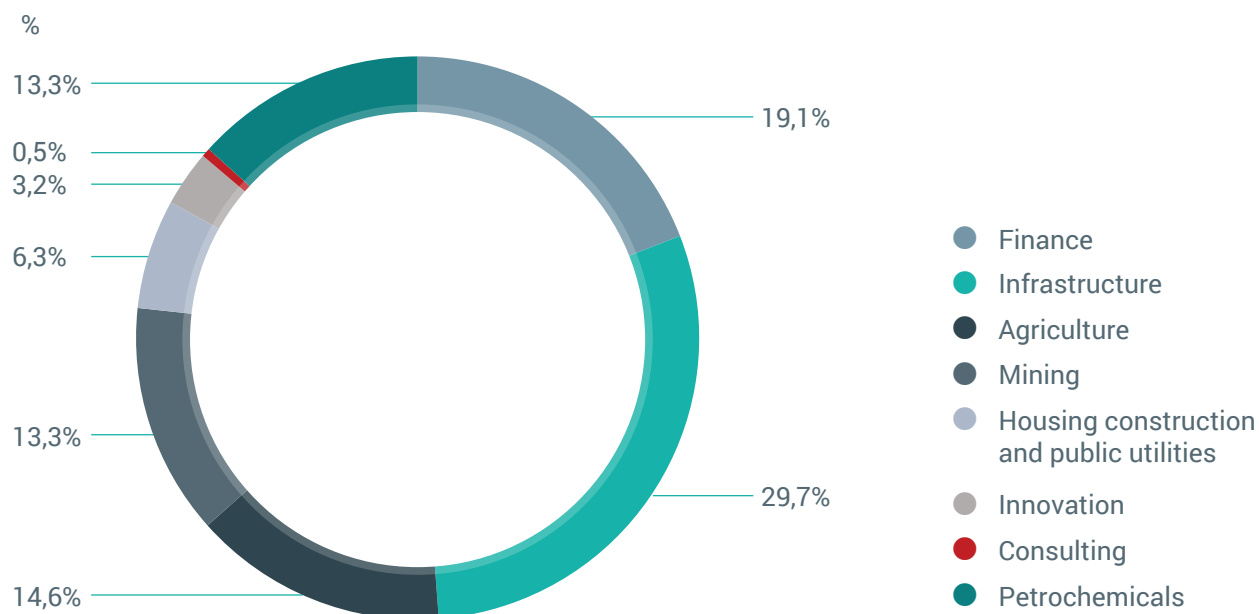
FINANCING

RUB bn



The FEDF is considering investment projects in the Russian Arctic, totalling RUB87bn, with the FEDF's potential commitment of RUB27.5bn.

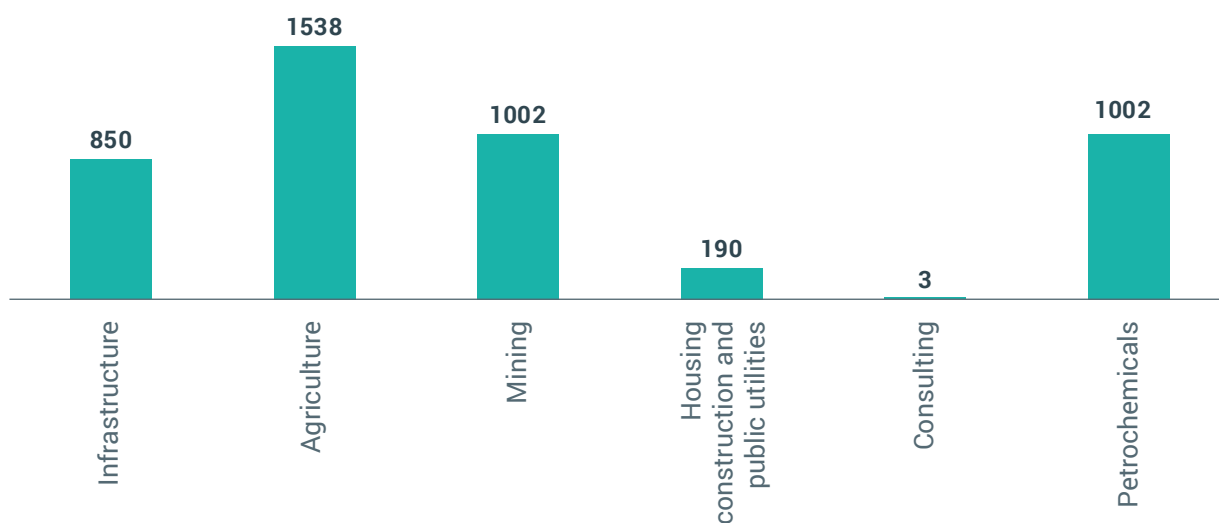
FEDF PORTFOLIO BY INDUSTRY



Socio-economic impacts assessed in selecting investment projects are an increase in the Gross Regional Product (GRP), additional tax proceeds, and new jobs.

JOBS CREATED UNDER FEDF PROJECTS

as at 31.12.2019*



* Information on the industries where the creation of new jobs can be reliably estimated.

The reporting period saw putting into operation some infrastructure facilities that are strategically important for the Far East and built with the participation of the FEDF: the passenger terminal at Khabarovsk Airport (financed jointly with VEB.RF) and the new Sakhalin GRES-2 power station. In December, the country's first of soya bean isolate facility was opened in the Amur Region. The implementation of new major industrial projects began in the Primorie and Khabarovsk Territories: gas-to-chemicals plant construction and porphyry copper deposit development. Financing for the Affordable Loans for Small and Medium-Sized Enterprises programme was increased, helping to set up more than 850 SME projects in the Far East.

“By definition, all projects supported by the fund are our priorities and are unique because each of them is approved by the government subcommittee on the development of the Far East. We have tried and are trying to fill our investment portfolio with diversified projects, but they are united in that they all are catalysts. Each of them made it possible to launch a much larger project or transform an economic sector.”

Alexei Chekunkov
CEO, Far East Development Fund

New businesses and infrastructure facilities will bring about a considerable rise in tax revenues to, will increase the GRP and create new jobs. The five largest industrial and infrastructural projects of the FEDF are ranked by the experts of the Far Eastern Branch of the Russian Academy of Sciences among the ten most effective projects in the Far East in terms of their multiplying effect on regional development. The project to build Inaglinsky Mining and Processing Plant in Yakutia ranked first among projects with the greatest multiplying effect on regional development according to experts from the Russian Academy of Sciences and the Russian Foreign Trade Academy of the Ministry of Economic Development.

New passenger terminal of Khabarovsk Airport



On 4 September 2019, the new terminal was opened by Russian President Vladimir Putin during the 5th Eastern Economic Forum. The new terminal for domestic airlines with an area of more than 27,000 square meters can service as many as 3 million passengers per year in accordance with the latest standards. Implemented with the participation of Japanese investors, Sojitz Corp., JATCO and JOIN, the project was part of the Khabarovsk advanced development zone. Total investment was RUB4.9bn, including RUB3.9bn borrowed from VEB.RF and the FEDF. The terminal will meet the demand for air transport services in the Far East, ensuring safe and high-quality services for passengers and airlines.

"The project is rather big. It will service 3 million passengers a year, a very significant figure for the region. I am sure it will be useful for people who live here and will come here."

Vladimir Putin
President of the Russian Federation

Khabarovsk Airport won in the category "Regional Development" of the Star of the Far East Awards.



The FEDF continued in 2019 to work on introducing digital services for investors. In order to increase the efficiency and transparency of the timber industry, a digital platform is under development. This project is based on the successful experience of creating an online service for investors in the Far Eastern aquaculture.

One of the FEDF's goals is to attract foreign partners with professional competencies to the region. The FEDF's priority is cooperation with leading companies and financial institutions from the Asia-Pacific countries, primarily China, Japan and the Republic of Korea. In order to build up cooperation between Russia and Japan and attain the priorities for the development of the Far East, the Japan Bank for International Cooperation (JBIC), the Far East Development Fund and the Far East Investment and Export Agency set up the Russia-Japan investment platform in 2018. The platform is a link between Japanese capital and Russian investment opportunities, promoting the economic interaction between Russia and Japan. The priority of the investment platform is projects aimed at creating a comfortable living environment, increasing production resources for traditional and renewable energy, cooperating in the area of SMEs, agriculture, and transport infrastructure development. Over 80 projects were considered after the platform was launched. More than ten of them are ongoing projects. The first completed project is the Sayuri greenhouse in Yakutia, an innovation using Japanese technology for unique year-round operation in the north.

The Advisory Council of the investment platform meets every year to develop strategic decisions. A regular meeting of the Advisory Council was held at the Eastern Economic Forum on 5 September 2019.

Developing Russian-Belarusian Economic Cooperation



The expansion of economic cooperation between the Republic of Belarus and the Russian Federation continued in 2019 to be the focus of special attention for VEB.RF and Bank BelVEB (also the "Bank"), including the fulfilment of the relevant memorandums and investment agreements, assistance with the implementation of projects involving the export of Russian goods and services to Belarus.

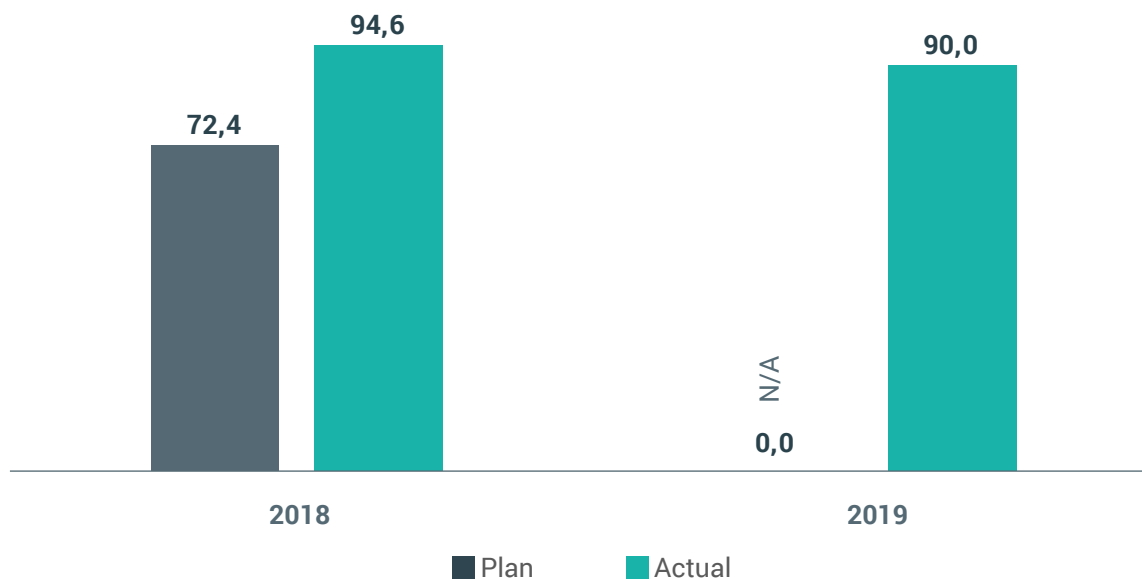


Financing for Russian exports to Belarus is provided in close cooperation with VEB.RF entities and uses Russian federal subsidies for a part of the interest rate. For instance, six loan agreements were signed in 2019 with VEB.RF, totalling an amount equivalent to RUB1.5bn, and six loan agreements with EXIMBANK OF RUSSIA, totalling an amount equivalent to RUB0.4bn. Financing from these financial institutions totalled an amount equivalent to RUB6.4bn.

Financial support provided by Bank BelVEB for economic integration projects of the Republic of Belarus and the Russian Federation in 2019 totalled an amount equivalent to RUB90.0bn.

FINANCING FOR RUSSIA-BELARUS INTEGRATION PROJECTS

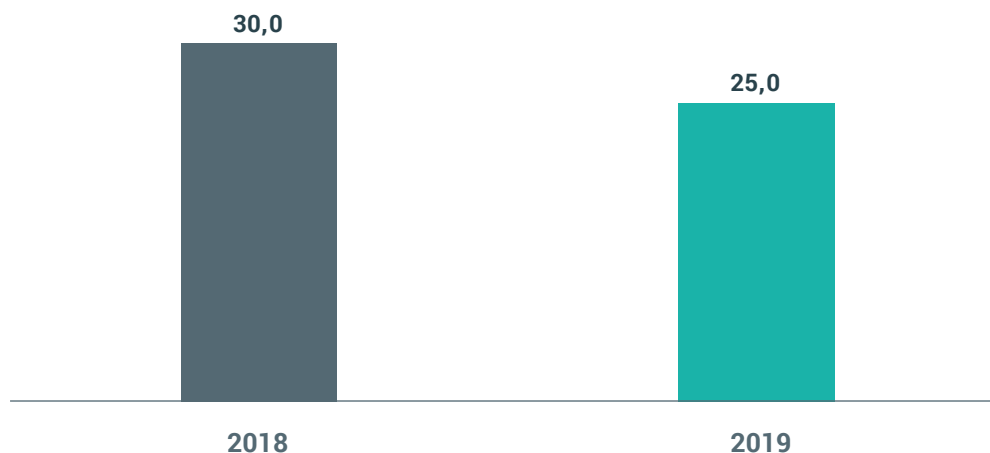
RUB bn per year



An amount of RUB25bn was allocated for targeted support for Russian exports to the Republic of Belarus in 2019.

TARGETED FINANCING FOR RUSSIAN EXPORTS TO BELARUS

RUB bn per year



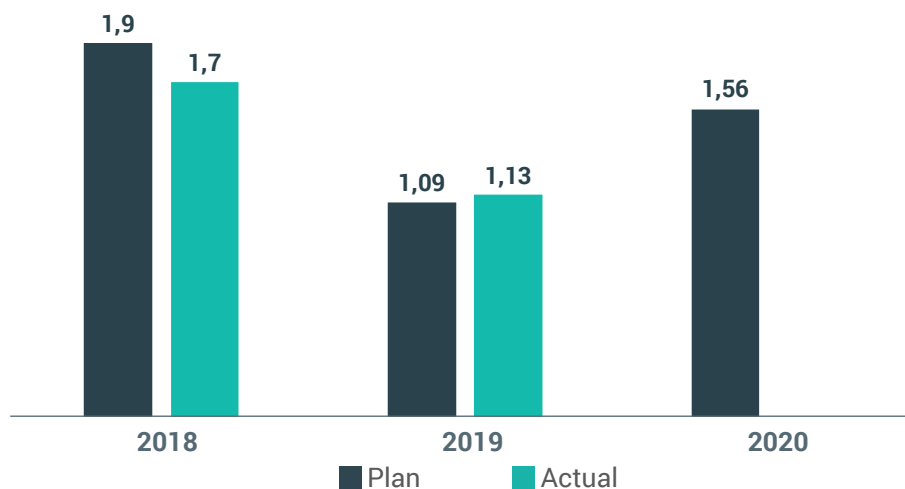
In total, 456 customers were financially supported by the Bank under integration projects in 2018. These included Belarusian Oil Company, MTZ, Belarusian Metallurgical Plant, MAZ, Mogilevkhimvolokno, ALIDI-Vest, BelAZ and Ardera.

As part of its activities, Bank BelVEB provides cross-border financing services and offers a wide range of trade finance instruments, issuing bank guarantees and organising the issuance of foreign bank guarantees against the Bank's counter-guarantees, issuing documentary letters of credit, arranges financing for foreign trade contracts of customers using foreign banks' resources, conducting international factoring transactions.

In the Belarusian banking system at the end of 2019, the Bank ranked third by loan portfolio, sixth by equity and assets, seventh by customer deposits, and ninth by profit net of closing turnovers. The Bank ranked third in terms of loans to corporate entities, ninth in terms of retail lending, and seventh in terms of corporate and household deposits.

CHANGES IN THE BANK'S NET PROFIT

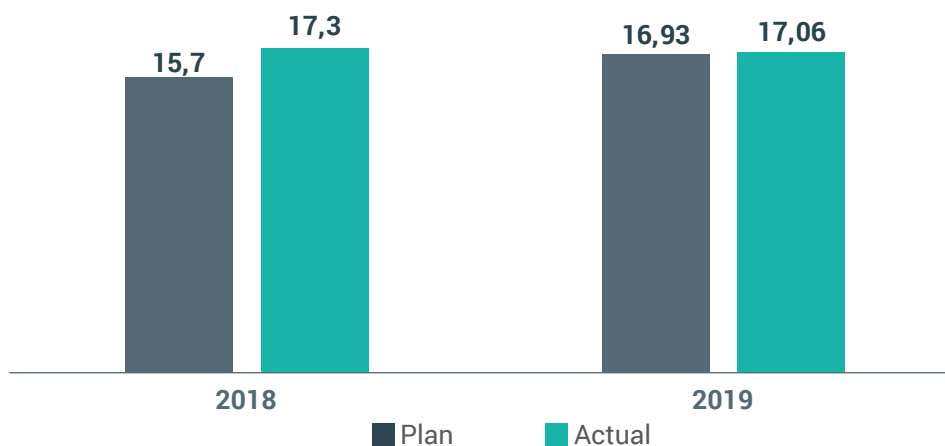
RUB bn*



* Targets in Russian roubles were not approved or calculated in the Strategic Development Plan of Bank BelVEB for 2019–2021. Net profit is translated into Russian roubles at the exchange rate of the National Bank of the Republic of Belarus as at 31.12.2019.

CHANGES IN THE BANK'S EQUITY

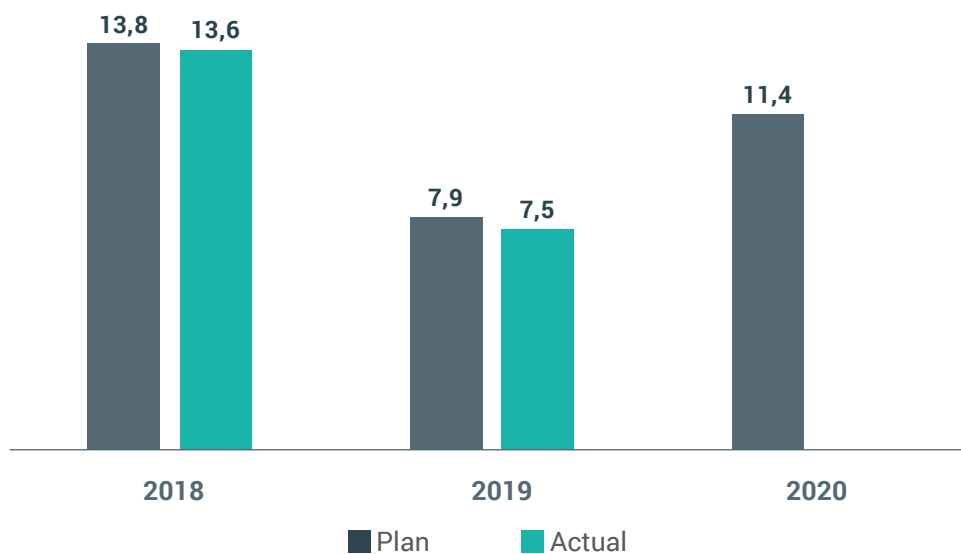
RUB bn*



* Equity as at 31.12.2019 is translated into Russian roubles at the exchange rate of the National Bank of the Republic of Belarus.

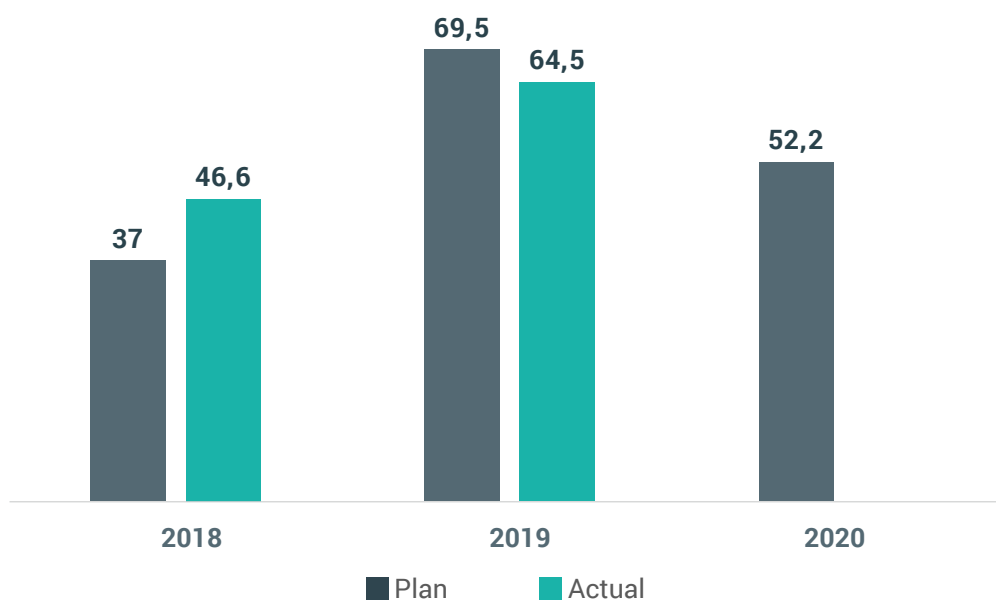
ATTAINED STRATEGIC INDICATOR OF ROE

based on balance-sheet profit, %



ATTAINED STRATEGIC INDICATOR OF CIR

%



For Bank BelVEB, 2019 was the first year of transforming its operations into an efficient fintech group, building an ecosystem for customers and partners, and creating a new service model. The purpose of the transformation is to set up a group that will use innovative technology in the financial services market. The banking group is developing by creating an ecosystem based on highly efficient organisations that provide customers not only with banking services but also with non-financial services.

In 2019, the banking group was joined by DFS and BelVEB IT, residents of the High Technology Park. BelVEB IT provides the Bank with integrated interrelated IT services to improve its information technology infrastructure.

The key element of DFS is finstore.by, a high-technology online investment platform for attracting investment by arranging ICOs. The finstore.by platform can be used by companies to issue and place tokens on attractive terms and by investors to make convenient and profitable investments. As at 31 December 2019, about 900 ICO tokens worth more than USD1mn were registered and placed on finstore.by.

As part of the ongoing changes, the Bank identified as one of its priorities the transition from a product-focused model to a customer-focused model, which involves switching over from banking terminology in the digital service channel to the daily needs of customers (meeting the customer's ultimate need at the point where it appears). The main component of the customer-focused model is the construction of a digital platform to determine the result expected by a specific customer and create a tailored product.





SOCIO-ECONOMIC IMPACT OF PROJECTS



SOCIO-ECONOMIC IMPACT OF PROJECTS

In accordance with the new business model, VEB.RF increased in 2019 its financing for projects, raising the level of support for the Russian economy. To determine the scale of activities, as well as its contribution to economic development and the achievement of targets of national projects, VEB.RF regularly assesses the socio-economic impact of financed projects.

VEB.RF's Activity in 2019

In 2019, VEB.RF's support for the Russian economy (including debt financing and guarantees for export support) is estimated to be higher than the previous year's 0.23% of the GDP.

VEB.RF's Role in Lending to the National and Regional Economy

As at the end of 2019, the VEB.RF loan portfolio represented more than 6.5% of all bank loans and more than 12% of three-year bank loans. Both indicators were on the decrease for the previous two years due to, inter alia, the completion of several large projects, with customers fully repaying their debts to VEB.RF (for example, AVTOVAZ, Ford Sollers).

In 2019, VEB.RF participated in financing investment projects in 42 Russian regions. In six regions, VEB.RF's share in bank loans to local businesses exceeded 20%, while in another five regions, it was in the range of 10 to 20%.

VEB.RF's Role in Financing Investment in Fixed Assets

Loans given in 2019 to finance the projects accounted for 0.6% of fixed capital investments in the economy as a whole (0.4% in 2018). In 2019, VEB.RF's share in bank loans for investment in fixed assets exceeded 8.5%, which is much higher than in 2018 (around 5%).

VEB.RF borrowers allocate substantial funds to finance investment in fixed assets. In 2019, in the pharmaceutical industry (creation of new drugs), VEB.RF borrowers accounted for more than 5% of all investment in fixed assets in the industry; in the chemical industry (production of polymer materials, mineral fertilisers), almost 3%; in construction (transport infrastructure development projects), more than 2.5%.

Role of VEB.RF's Borrower Companies in Value Added Generation

In 2019, VEB.RF borrower companies made products with estimated value added of 0.12% of all value added in the economy. This indicator decreased from the previous year (0.18%) due to excluding several borrowers that completed their projects and repaid loans.

Most production facilities created with the participation of VEB.RF make products with high value added. In 2019, in the automotive industry, VEB.RF borrowers accounted for more than 6% of the value added in the industry; in the pharmaceutical industry, more than 4%; in the chemical industry, almost 3%.

Contribution Towards National Projects

VEB.RF investment projects contribute to the achievement of goals for several national projects, including the Comprehensive Modernisation and Expansion Plan for Trunk Infrastructure, Safe and High-Quality Highways, Housing and Urban Environment, International Cooperation and Export.

In 2019, VEB.RF started financing several projects to develop transport infrastructure, as well as projects involving a large number of highly qualified specialists and the development of new technologies; projects in the urban economy are under consideration.

VEB.RF participates in financing Russian non-resource exports. The total amount of financing provided in 2019 for such projects accounted for 0.2% of the target for non-resource non-energy exports specified for that year in the International Cooperation and Export national project.

Financing for projects for the export of machinery and equipment was estimated at 0.4% of the target for exports of engineering products in 2019. Financing for projects for the export of metallurgical products accounted for 0.5% of the target for the corresponding indicator in the national project.

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. The value added created by VEB.RF borrower companies was assessed on the basis of the available financial statements for the nine months.

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

- 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.





VEB.RF FOR THE GOVERNMENT



VEB.RF FOR THE GOVERNMENT

PERFORMING THE FUNCTIONS OF THE AGENT FOR THE RUSSIAN GOVERNMENT

In 2019, 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 2019 under the agency agreement with the Russian Ministry of Finance:

- accounting for, using, servicing and repaying public loans provided by the former USSR and the Russian Federation for foreign borrowers;
- accounting for, servicing and settling the external debt of the former USSR and the Russian Federation;
- monitoring projects implemented in the Russian Federation with the participation of international financial institutions;
- ensuring the repayment (settlement) of debts owed by corporate entities, Russian regions and municipalities to the Russian Federation, including in relation to analytical accounting for debts on monetary obligations to the Russian Federation;
- 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 other entities in connection with the issuance and fulfilment of the Russian Federation's government guarantees; evaluating the financial condition of such persons;
- conducting analysis and providing legislative and regulatory adaptation for global international initiatives, including G20-promoted initiatives in financing for long-term infrastructure investment.

Based on the results of the comprehensive fulfilment of VEB.RF's functions, the performance of VEB.RF as an agent for the Russian Government was recognised as satisfactory.

In 2019, 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 inter-governmental debt relations between the Russian Federation and other countries.

Key areas of VEB.RF's activities in 2019 as an 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.

In 2019, as part of analysis for global international initiatives, including G20-promoted initiatives in financing for long-term infrastructure investment, VEB.RF:

- studied the relevant documents of international financial institutions, position papers of the G20 member countries on various aspects of infrastructure investment, including mechanisms used to attract private infrastructure investment;
- participated in and provided expert support for the Russian Ministry of Finance at meetings of the G20 Infrastructure Working Group;
- prepared regulatory and methodological documents aimed at improving approaches and mechanisms for financing projects to create high-quality and resilient infrastructure.

In 2019, 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 2019 was outlined in the Programmes for Government Guarantees of the Russian Federation in the Currency of the Russian Federation and Foreign Currencies for 2019 and the Planning Period of 2020 and 2021 (Appendices 36 and 38 to Federal Law No. 459-FZ of 29 November 2018 "On the Federal Budget for 2019 and the Planning Period of 2020 and 2021"), 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 and No. 803 of 1 November 2008.

Under the agency agreement with the Russian Ministry of Finance, VEB.RF prepares an annual summary analytical information based on VEB.RF's inspections and evaluation (monitoring) of the financial condition of principals with respect to their financial condition and the probability of guarantee events, along with forecasts about potential Russian federal expenditures associated with the execution of government guarantees, as well as effectiveness evaluation for the existing mechanism of government guarantee support.

Trends in 2017–2019:

- an increase in the number of cases of the early repayment of obligations backed by government guarantees of the Russian Federation;
- an increase in the number of cases of the return by beneficiary banks of government guarantees of the Russian Federation to the Russian Ministry of Finance;
- a substantial decrease in the number and amounts of government guarantees to be issued (as

specified in the federal budget for the relevant planning period), as well as a decrease in the number and amounts of actually issued government guarantees of the Russian Federation.

In the area of government guarantee support for agribusiness, the following sectors use this mechanism to the greatest extent:

- meat and dairy farming (beef, pork, chicken, dairy products);
- growing of fruit and vegetables in greenhouses;
- processing of agricultural products (sugar production, soya bean processing).

Work continued in 2019 on building pig farming facilities with a total annual capacity of 79,000 tonnes of live-weight pork; a compound feed production facility with a total annual capacity of 240,000 tonnes; a grain elevator with a capacity of 120,000 tonnes; a cattle slaughtering facility with a capacity of 125 head of cattle an hour; a recycling facility and vehicle fleet operator in the Primorie Territory.

The following government guarantee support projects continued successful operation:

- dairy farming facilities with 2,800 head of cattle in the Bobrovsky District, Voronezh Region; 5,000 head of cattle in the Anninsky District, Voronezh Region; and 6,000 head of cattle in the Tver Region;
- greenhouse facilities with an area of 7 hectares (Phase 1) and 21.8 hectares (Phase 3) in the Stavropol Territory;
- fruit and vegetable production facilities with a protected-cultivation area of 14.7 hectares (Phases 1 and 2) in the Rostov Region;
- soya processing facility in the Amur Region;
- sugar mill with a capacity of 8,000 tonnes of beetroot a day and a poultry (broiler) production and processing plant in the Tambov Region;
- greenhouse facility in the Tyumen Region.

In the area of government guarantee support for transport infrastructure projects, work continued in 2019 on designing and preparing the manufacture of MC-21 airliners and constructing the M-11 Moscow–Saint Petersburg highway (kilometres 15–58).

The following government guarantee support projects are in operation:

- new airport terminals in Anapa, Perm and Rostov-on-Don;
- ice-class support vessels Alexander Sannikov and Andrey Vilkitsky in the Yamalo-Nenets Autonomous District;
- Bronka multi-purpose transshipment terminal in Saint Petersburg;
- production workshop for high-strength longitudinal electric-welded large-diameter pipes in the Voronezh Region;
- cab frame assembly plant for KAMAZ lorries in Naberezhnye Chelny, Republic of Tatarstan;
- Razdolinskaya-Taiga 220 kV overhead line and Taiga 220 kV substation in the Severo-Yeniseysky District, Krasnoyarsk Territory;
- IP MPLS backbone and regional networks in Siberia and the Far East;
- toll collection facilities on federal public roads for vehicles with a maximum permissible weight exceeding 12 tonnes (all federal public roads);
- bridge crossings over the Kama River and the Buy River near Kambarka on the road Izhevsk-Sarapul-Kambarka-Bashkortostan border in the Udmurtian Republic;
- road Syktyvkar–Ukhta–Pechora–Usinsk–Naryan-Mar in the Komi Republic;
- connecting highway from the Moscow Ring Road near the intersection of Molodogvardeyskaya Street to the M-1 "Belarus" Moscow-Minsk federal highway;
- Western High-Speed Diameter in Saint Petersburg;
- wheel rim production facility for cars and lorries in Zainsk, Republic of Tatarstan;
- production facilities for tank wagons, special-purpose goods wagon and their sophisticated innovative components in the Leningrad Region;
- modern smelter for high-technology industries in the Nizhni Novgorod Region.

In the area of government guarantee support for social infrastructure facilities, work continued in 2019 on the projects to build a modern perinatal centre in Surgut and a production facility for import-substituting pharmaceuticals and ready-to-use medications in the Yaroslavl Region.

In addition, with government guarantee support, a high-technology biomedical centre in the Kirov Region continued in 2019 to successfully make socially significant products.

The above-mentioned projects are consistent with the government's priorities for social policy and infrastructure development and for efforts to increase the local content of Russian-made products, promote import substitution and strengthen Russia's innovation potential. Continuing to implement investment projects with government guarantee support will contribute to the stable growth in employment at regional level in such sectors as agriculture, transport and healthcare.

The beneficial effect of government guarantee support is encouraging the development of businesses and healthcare facilities, carrying out important infrastructural projects, modernising production facilities, improving technologies, promoting import substitution, and creating new jobs.

The social impact of government guarantee support is the stable growth in the number of jobs. An analysis of the staff of 69 principals examined by VEB.RF in 2019 showed an overall increase in the number of employees from 340.400 in 2018 to 354.500 in 2019. In relative terms (+4.1%).

Debts of corporate entities, constituent entities of the Russian Federation and municipalities to the Russian Federation decreased by RUB30.0bn in 2019.

Debtors' debt to the Russian Federation on VEB.RF's balance sheet

As at 1 January 2019

- 168 debtors
- RUB289.0bn

As at 1 January 2020

- 192 debtors
- RUB259.2bn

Investment of Pension Savings



VEB.RF was selected as the government-controlled management company (the "Management Company") for pension savings and pension reserve payouts in 2003 and 2012 respectively.

Resolution of the Russian Government No. 814 of 12 July 2018 extended VEB.RF's functions as the Management Company until 1 January 2024.

Currently, VEB.RF has pension savings and pension reserve payouts of 39 million Russians under management, including people who have not chosen any public or private pension scheme. Additionally, the Management Company has investment portfolios under management.

As the government-controlled management company for pension savings, VEB.RF has two portfolios: the Extended Investment Portfolio (EIP) and the Government Securities Investment Portfolio (GSIP). The net asset value of EIP is RUB18tn.

As the government-controlled management company for pension reserve payouts, VEB.RF also has two 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.

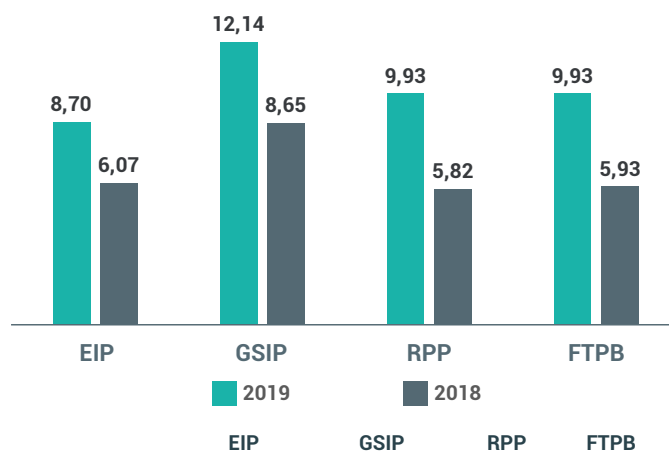
With the aim of safeguarding the rights and interests of insured persons and in order to identify and prevent any conflicts of interest related to pension savings under management, VEB.RF approved the Code of Professional Ethics for State Development Corporation VEB.RF, holding and investing pension savings. The Code contains measures to prevent any misuse of confidential information relating to pension savings under management and avoid any potential conflicts of interest.

To comply with legal and regulatory requirements, VEB.RF set up effective internal controls. Controls apply to all stages of transactions involving pension savings under management.

In order to formulate the strategy for investing the assets under management, VEB.RF formed the Pension Savings Management Committee (the "Committee"). The Committee is a permanent collegial working body of VEB.RF. The Committee defines investment plans, develops measures to limit risks associated with pension savings under management, establishes additional criteria and requirements for investing pension savings, takes decisions on organisational and technological support for pension savings under management.

YIELD ON INVESTED PENSION SAVINGS IN 2019

ROI, %

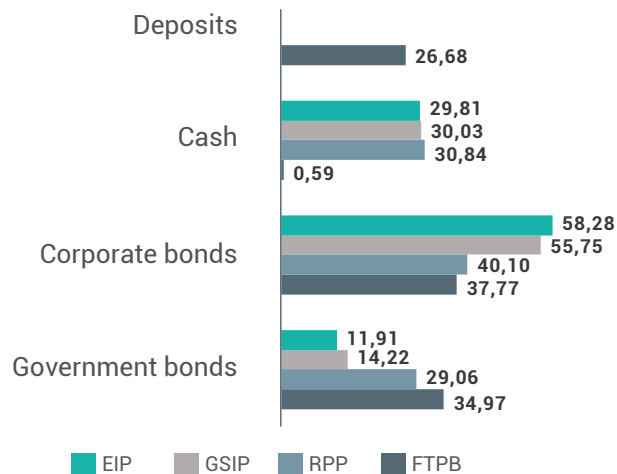


Management Company's Portfolio NAV (RUB mn)

Entity	EIP	GSIP	RPP	FTPB
Management Company's Portfolio NAV (RUB mn)	1 801 959,42	31 975,10	18 372,56	4 653,13

MANAGEMENT COMPANY'S INVESTMENT PORTFOLIO STRUCTURE*

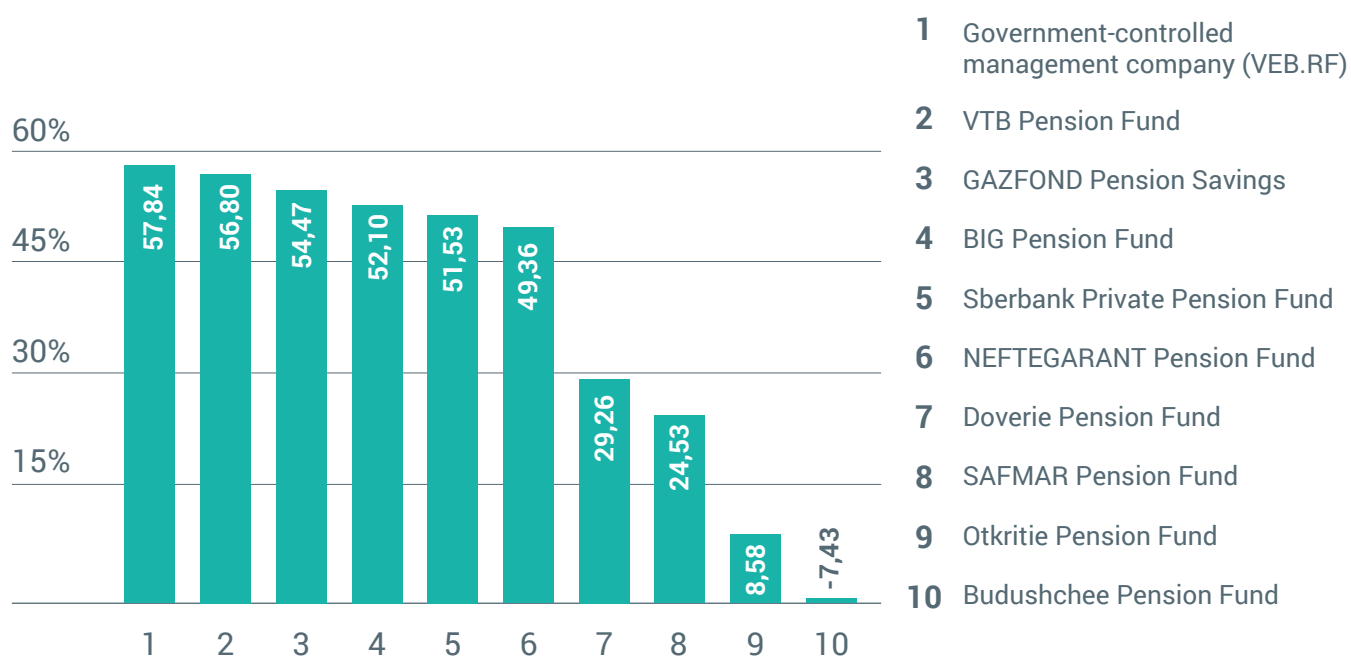
%



* Under the Management Company's investment policy statements, the percentages of assets are calculated on the basis of the current portfolio value as at the relevant date.

In 2019, the Management Company's yield on its portfolios of pension savings and pension reserve payouts was 3–4 times as high as the inflation rate in the Russian Federation. The return on all portfolios totalled over RUB150bn in 2019. The consistently positive yield achieved by the Management Company on invested pension savings and the stable return on investment contribute substantially to social protection and, consequently, Russia's successful socio-economic development in the long term.

TOP PENSION FUNDS *



* by ROI in 2013–2018.

“Future pensions of Russians are invested in the development of transport infrastructure, engineering, electric power, residential and industrial construction, advanced technology in the oil, gas and metallurgical industries. As the largest player in the collective investment market, VEB.RF invests hundreds of billions of roubles in government securities, Russian corporate bonds and deposits at reliable banks. The key condition is to ensure that investments are safe and that they outstrip inflation. We've successfully continued achieving this goal for the past ten years.”

Sergei Lykov
Deputy Chairman and Member of the Board, VEB.RF

To safeguard the rights of insured persons and improve their financial literacy, VEB.RF launched a special website about the funded part of occupational pensions in the Russian Federation (<https://pensiya.veb.ru/>), which soon was among the top three Yandex search results for queries about funded pensions and private pension funds. The website contains all the necessary information about how funded pensions are formed paid, about how to combat fraud related to the illicit transfer of pension savings to private funds and about yields on pension savings invested by market participants. Updated every day, the website was created by VEB.RF for over 76.5 million future Russian pensioners whose savings are formed in the Russian Pension Fund or private pension funds.





VEB.RF FOR SOCIETY



VEB.RF FOR SOCIETY

International Activities

VEB.RF's international activities in 2019 were consistent with the business model 2024. At a new stage of its activities, VEB.RF found it necessary to scale up its efforts to expand its international presence and position itself as Russia's key development institution that should have a leading role in the implementation of national priority projects.



To be involved in the global development agenda, VEB.RF continued to work in multilateral formats of cooperation among development institutions and participated in specialised international forums (UN, D20-LTIC, IDFC, ADFIAP, ALIDE, GTI, BRICS, SCO, EAEU). These efforts contributed not only to the promotion of Russia's national interests globally, but also to the consolidation of relationships with partners in promoting Russian non-resource exports and encouraging investment. Active participation in the organisations of development banks also facilitated the sharing of best practices and the development of global solutions to the challenges faced the development institution community.

VEB.RF was active in cooperating with G20 development institutions through Development 20, a platform initiated by VEB.RF in 2013. In 2019, VEB.RF took part in the annual meetings and conference of the D20-LTIC²³ in Tokyo during Japan's presidency of the Group of Twenty. The events focused on quality infrastructure investment, which was a priority for Japan's G20 presidency. Traditionally, the heads of the institutions of the D20 issued a joint statement highlighting the importance of quality infrastructure, taking into account environmental, social and governance considerations at all stages of an infrastructure asset's lifecycle. In addition, the participants discussed mechanisms for attracting long-term private investment in infrastructure and renewable energy.

²³ The D20 and the Long-Term Investors Club (LTIC) merged in 2019.



VEB.RF was actively involved with the G20 Infrastructure Working Group (IWG). Formed as part of cooperation among the G20 finance ministers and central bank governors, the IWG is mandated to formulate recommendations for the G20 general principles and policies for infrastructure investment.

In 2019, VEB.RF took part in several key events organised by the International Development Finance Club (IDFC) to promote the global agenda of investment in sustainable development in accordance with the UN Sustainable Development Goals and the Paris Agreement.





VEB.RF continued to cooperate with the partner institutions within the VEB.RF-led IDFC working group on pre-project preparation. During the reporting period, VEB.RF studied the processes of pre-project preparation in 13 surveyed development banks. The findings of the study were published in the report presented by VEB.RF at the IDFC annual meeting of members on the sidelines of the IMF/WB autumn session in October 2019.



In December 2019, VEB.RF and other IDFC member banks took part in the 25th UN Climate Change Conference (COP 25) in Madrid and organised a session on green approaches to urban development in Russia. VEB.RF's representatives emphasised the importance of adopting a practical approach to achieving the UN Sustainable Development Goals 2030.



In this connection, VEB.RF Deputy Chairman Cesare Maria Ragaglini mentioned that a high proportion of projects approved by VEB.RF in 2016–2018 met the green project financing criteria of the International Development Finance Club (IDFC). Additionally, VEB.RF's representatives described the programme to implement the Environmental Protection national project and presented VEB.RF's participation in the project to build energy-from-waste plants in the Moscow Region.



"Russia is a party to the Paris Agreement, ratified in September 2019. In the issue of climate change, countries are so interdependent that any green initiatives in one country will be of benefit to the entire global community."

Cesare Maria Ragaglini
Deputy Chairman, VEB.RF

GTI Greater Tumen Initiative

VEB.RF participated in events organised by the Greater Tumen Initiative (GTI)²⁴ and the North-East Asia Export–Import Banks Association in August 2019 in China. During the Annual Meeting, the member banks exchanged updates on investment project implementation in the region and expressed confidence in the necessity to strengthening multilateral cooperation and searching for new joint projects.



Work continued on promoting cooperation among development institutions within the BRICS Inter-Bank Cooperation Mechanism.



"This year, VEB.RF assumes the presidency in the main financial institutions of BRICS and the SCO. Their agenda is global, but with specific tasks. It is intended to unite the SCO and BRICS development institutions in finding solutions for sustainable urban development, financing for green economy and infrastructure projects. The task of increasing payments in national currencies was set by the Russian President, and VEB.RF plays a leading role in carrying it out in the Greater Eurasia area and in the economies of Brazil, Russia, India, China and South Africa."

Natalia Timakova

The BRICS Business Council held a meeting in Johannesburg, South Africa, in April 2019. As a member of the Financial Services Working Group, VEB.RF participated in discussing the promotion of cooperation among national rating agencies and the mutual recognition of ratings, the creation of a supranational BRICS payment system, and financing for urban-environment and green-economy projects.

²⁴ The Greater Tumen Initiative (GTI) is a UNDP-supported mechanism of intergovernmental cooperation in the North-East Asia.



VEB.RF took part in meetings of all BRICS ICM working groups during Brazil's presidency in 2019, stressing the particular importance of promoting payments in national currencies between the member countries, along with the need to provide support for digitalisation and innovation within BRICS and for the exchange of economic studies. During the annual meeting in November 2019, the heads of the BRICS ICM member banks signed a multilateral cooperation agreement to attract investment in infrastructural projects. The priorities for VEB.RF's presidency of the BRICS ICM in 2020 include developing standards of responsible financing, encouraging the wider use of national currencies and promoting quality infrastructure investment.

Priorities for VEB.RF's presidency of the BRICS ICM in 2020

- Cooperation in urban development**
 According to the UN, 14 of the 20 most populous cities are located in the BRICS member countries. Three-fourths of Russia's population live in urban areas. It is in the interests of all the member countries to discuss how to implement modernisation projects for houses, utility systems, roads, public transport and municipal solid waste disposal projects.
- Financing for infrastructure development**
 It is necessary to develop reliable mechanisms and standards for quality infrastructure investment. VEB.RF also advocates that the national digital platforms should cooperate in infrastructure development.

In Rio de Janeiro, Brazil, in 2019, the BRICS ICM members agreed to cooperate in encouraging private investment in infrastructural projects. The BRICS ICM is to form a working group to examine specific business cases, financing formats, project selection models and successful examples of

legislative innovations that help to attract private investment in infrastructure construction. Best practices in public-private partnerships in infrastructure construction will be distributed among the BRICS key development institutions.

- **Wider use of national currencies in trade and financial operations**

From the very beginning, BRICS has been built on the principles of expanding the sovereignty and independence of its member countries, and the use of national currencies is an important step towards this goal.

- **Achievement of the UN Sustainable Development Goals 2030**

Including through financing for green-economy projects. The BRICS member countries face a challenge of achieving a high rate of economic growth and preserving the environment for future generations.



“Top of our agenda is attracting private investment in infrastructure. I mean joint efforts to bolster up public-private partnerships. There is extensive experience of using this mechanism globally. Public-private partnerships should be involved in creating the country's main infrastructure. It was previously part of VEB.RF's internal agenda. We are now submitting this issue to BRICS.”

Igor Shuvalov
Chairman, VEB.RF

In the reporting period, VEB.RF Chairman Igor Shuvalov was elected Chairman of the Interbank Consortium of the Shanghai Cooperation Organisation (SCO IBC) for 2020. VEB.RF intends to focus cooperation among the SCO member countries on the practical implementation of the Greater Eurasian Partnership concept and on the synchronisation of integration projects in Eurasia. As agreed with the partners, the agenda of VEB.RF's presidency also included cooperation among development banks in implementing the Programme of Multilateral Trade and Economic Cooperation, promoting quality infrastructure investment, encouraging the wider use of national currencies and using innovative financial products.

Their joint efforts to develop international trade corridors will enable the SCO member countries to establish new ties and will contribute to economic integration. VEB.RF has considerable experience in carrying out large-scale infrastructural projects such as roads, terminals and airports. VEB.RF is also interested in closer cooperation in the urban economy within the SCO IBA, which will make it possible to ensure the replicability of the most successful models and solutions, such as the Project Financing Factory.

"The SCO countries have considerable mutual trade and, therefore, have great potential for switching over to payments in national currencies. This will substantially reduce both financial and operational risks, as the entire payment infrastructure is located within the member countries. In addition to trade, debt financing can and should be switched to national currencies."

Aleksey Miroshnichenko

Deputy Chairman and Member of the Board, VEB.RF



ADFIAP
financing sustainable development

VEB.RF continued in 2019 to deepen cooperation with Asia-Pacific development institutions. In October 2019, VEB.RF's delegation headed by VEB.RF Deputy Chairman Aleksey Miroshnichenko discussed the implementation of joint projects in advanced industries at the 15th International CEO Forum in Macao. Organised by the Association of Development Financing Institutions in Asia and the Pacific, the event focused on the development institutions' involvement in supporting Industry 4.0, or the Fourth Industrial Revolution. VEB.RF joined ADFIAP as a full member with representation on the Board of Directors in 2013.

As part of this mission, VEB.RF also held meetings with the CEOs of the development banks of Japan, Indonesia, Malaysia, Mongolia and Oman.



"We are active in promoting syndication with commercial banks, including both Russia's largest credit institutions and our partners from the Asia-Pacific region. At the forum, we presented to our partners several Industry 4.0 projects that are already successfully under way in Russia, told them about the possibilities of participating in syndicated transactions, including Project Finance Factory transactions. We see the partners' keen interest and good prospects for closer cooperation."

Aleksey Miroshnichenko
Deputy Chairman and Member of the Board, VEB.RF



As an associate member from 2010, VEB.RF continued to cooperate with the Latin American Association of Development Financing Institutions (ALIDE) in 2019. VEB participated in the ALIDE General Assembly and had negotiations with several member banks.

During the reporting period, VEB.RF worked to strengthen its positions in the Latin American markets that are lucrative for Russian industrial exports. VEB.RF organised business missions to the largest countries in Latin America, traditional and promising markets for Russian exports (Argentina, Brazil, Mexico, Colombia, Cuba and Nicaragua). The possibilities were explored for financing export (automotive, aviation and power engineering industries) and investment projects (energy, transport, telecommunications) and setting up joint ventures for potential exports to third countries.

REC has signed an agreement to maintain the airworthiness of Russian-made aircraft and supply a rolling mill to Cuba for the manufacture of steel bars and wire.



The African continent is also a priority for supporting Russian non-resource exports. VEB.RF's efforts in this area resulted, inter alia, in signing several agreements during the economic forum before the Russia-Africa Summit in October 2019. For example, VEB.RF, REC and Morocco's MYA Energy signed a memorandum of cooperation to finance the construction of a petroleum refinery in the Kingdom of Morocco. VEB.RF, Sberbank, REC and Gemcorp Capital LLP signed a framework agreement to create a trade finance mechanism for Russia and Africa. VEB.RF, REC, Afreximbank and Société Nationale des Pétroles du Congo (SNPC) signed a memorandum of cooperation to build a pipeline in the Republic of the Congo. VEB.RF and Afreximbank agreed on the general terms and conditions of VEB.RF's participation in the Afreximbank trade promotion programme as a confirming bank.

VEB.RF also took part in Russia's Big Industrial Week in Egypt and participated in a meeting of the Russian-Egyptian Intergovernmental Commission in Cairo.





In a high-priority area of its operations, VEB.RF continued to build up strategic partnership with China Development Bank (CDB) with a view to obtaining funding for investment projects in Russia.



Following the 6th meeting of the Intergovernmental Russian-Chinese Commission on Investment Cooperation (IGC) that took place in Beijing on 26 November 2019, VEB.RF and CDB were officially assigned the status of an expert centre for the selection and assessment of promising investment projects. In 2019, VEB.RF was actively involved with the IGC, acting as an expert on projects proposed for inclusion on the IGC list of projects, monitoring the implementation of Russian-Chinese investment projects included on the IGC list of projects, and participating in formulating the regulations for the selection and monitoring of IGC investment projects and in preparing the 6th IGC meeting. Four new projects were proposed by VEB.RF and included on the list of projects at the 6th meeting:

- pulp mill construction, Boguchany, Krasnoyarsk Territory;
- supply of two Aframax oil tankers (deadweight tonnage: 114,000 each);
- supply of three tankers (deadweight tonnage: 51,000 each);
- supply of ice-class LNG carriers under the Arctic LNG 2 project.

VEB.RF has 18 Russian-Chinese investment projects in the pipeline, which are included on the IGC list of projects, with five of them in the active phase of financing:

- Russia-China cross-border railway bridge construction, Nizhneleninskoye-Tongjiang (FEDF financed);
- Udokan copper deposit development, Trans-Baikal Territory;
- methanol production facility construction, Nakhodka;
- supply of two Aframax oil tankers (deadweight tonnage: 114,000 each);
- supply of ice-class LNG carriers under the Arctic LNG 2 project.

Attending and organising events in various formats with the involvement of the international community, including Chinese investors, have an important role in promoting IGC investment projects. For example, in August 2019 VEB.RF with support from CDB held a pilot roadshow for investment projects in Beijing with the participation of major Chinese construction, engineering and logistics companies, presenting both infrastructural projects and high-technology and export-oriented projects.

"We are interested not only in maintaining trade ties, but also in setting up production facilities that will be able to compete for the markets in third countries, and here the joint competencies of China and Russia can be of great help. These competencies should be supported by adequate capital, and we'll be doing this together with our Chinese partners."

Nikolay Tsekhomsky
First Deputy Chairman and Member of the Board, VEB.RF

During the reporting period, VEB.RF took part in the annual Russian-Chinese conference on cooperation in the area of capital markets "Sino-Russian Cooperation: Finding Ways to Each Other".

In June 2019, the REC office hosted the signing of a plan of financial and non-financial cooperation between Russian Export Center and Bank of China for 2019. As related to non-financial support for Russian-Chinese projects, about 20 Russian companies took part in matching events of Bank of China in Zhengzhou, Henan Province, and Chongqing with support from REC. As related to financial support, the parties continued to expand cooperation on joint projects: for payments in credit-guarantee transactions and for payments in treasury operations, EXIMBANK OF RUSSIA opened a Chinese yuan correspondent account with Bank of China. The parties established mutual limits, which allowed them to conduct trade finance transactions and treasury operations. In addition, a training session was organised for Bank of China with the participation of EXIAR to present EXIAR's insurance products.



Promoting Eurasian integration is a top priority for VEB.RF's international activities. VEB.RF took part in key integration forums of the Eurasian Economic Union (EAEU): Eurasian Week in Bishkek; Transit Potential of Eurasia in Yerevan; Eurasian Forum in Budapest. Everywhere, VEB.RF emphasised the particular importance of promoting integration projects in Greater Eurasia and its willingness to support initiatives in such areas as transport infrastructure and the urban economy, including projects in public transport, traffic safety, public utility services, energy efficiency, MSW recycling, healthcare and medicine. Efforts to promote cooperation in this area will make a significant contribution to the regional economies and will help the most successful models and solutions to be replicable across the EAEU.

Additionally, work continued on considering bilateral export and investment projects with financial development institutions of post-Soviet countries (Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan and Belarus).



PHOTO: Medal awarded to VEB.RF's Chairman for a contribution to the development of the Eurasian Economic Union

"We have achieved considerable success within the Eurasian Economic Union. We built the Customs Union very quickly, and used it as a basis for the agenda to establish the Single Economic Space, and then the EAEU. A large economic space is the basis for achieving national development goals. By virtue of its geography, Russia has to play a special role in integration processes in Eurasia. Integration is a combination of several parts into a whole. And this whole becomes economically stronger than the simple addition of elements. We are creating new large markets so that Russia and the EAEU could produce and sell as much as possible. This is the basis of the wealth of ordinary people."

Igor Shuvalov
Chairman, VEB.RF

VEB.RF provided RUB64bn of funding for integration projects. Among them are projects for the supply of railway vehicles to Kazakhstan; industrial products to Armenia; underground carriages, cranes, railway equipment, metal products and chemical products to Belarus; as well as financing for the construction of Belarusian NPP. VEB.RF is currently working on a new portfolio in various areas of the urban economy, including projects in public transport, public utility infrastructure, energy efficiency, environmental protection, healthcare and medicine.

At the St. Petersburg International Economic Forum in 2019, VEB.RF organised a session "Integration vs. Protectionism: The Role of Development Institutions in the Creation of a Common Economic Space in Greater Eurasia".



PHOTO: Roscongress Foundation

Developing the Investment Environment and Professional Community

ПРЕМИЯ РАЗВИТИЯ

In 2019, VEB.RF organised the seventh annual competition, Development Award, for outstanding achievements in implementing investment and export projects of national significance.

The Roscongress Foundation was a partner of the Award.

The strategic goals of the Award are as follows:

- ensure the increased competitiveness of the Russian economy;
- build an attractive investment image of the Russian Federation;
- stimulate the diversification and modernisation of the Russian economy on an innovation basis;
- contribute to the sustained socio-economic development of the Russian Federation.

УЧРЕДИТЕЛЬ



The winners of the Development Award 2019 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 award ceremony was part of the plenary session of the Russian Investment Forum in Sochi.



The Award for Best Infrastructure Project was received by Sheremetyevo International Airport for the Northern Terminal Complex project. The project increased the airport's capacity to 52 million passengers per year and improved service quality. The terminal is designed to service passengers of domestic airlines.

²⁵ The Development Award is a national annual award established by VEB.RF in 2012 to stimulate investment and create an attractive and beneficial investment climate in Russia. For more information, visit www.premiya-razvitiya.ru.

The Award for Best Industry Project went to ZapSibNeftekhim, a project implemented by SIBUR Holding. The project involves the advanced conversion of hydrocarbons into polymers and the creation of infrastructure aimed at the utilisation of associated petroleum gas and valuable natural gas components. The Award for Best Integrated Spatial Development Project was granted to the high-grade beef production project of Bryansk Meat Company.

The Award for Best SME Project was received by the Children's Health Centre. The Vladivostok-based health centre aims to improve the accessibility and quality of medical services. The project involves surgical care financed by the Compulsory Medical Insurance Fund.

The Award for Best Export Project went to the project to build fertiliser and ammonia facilities in Cherepovets, Vologda Oblast, implemented by Apatit, part of the PhosAgro Group.

Educational Projects for Entrepreneurs and Young People

In 2019, the training and educational projects of VEB.RF and VEB.RF entities focused on developing the potential of Russian entrepreneurs and disseminating knowledge and experience among young people.



"Today, extensive work is under way to form the digital economy in Russia. The success of this work will depend largely on our young people: those who study now, who are already implementing their ideas or preparing to set up an innovation business."

Alexey Ivanchenko
Deputy Chairman, VEB.RF

Managerial Skills

Managerial Skills is a joint programme implemented by the Russian Presidential Academy of National Economy and Public Administration, the Agency for Strategic Initiatives and Ward Howell.

Under the programme in 2019, the team of VEB.RF's Development Projects division organised lectures and practical sessions for regional teams responsible for shaping the investment climate and promoting ambitious projects to help the regions to become more competitive globally.

The participants were eight regional teams composed of deputy heads of constituent entities of the Russian Federation, heads of regional executive authorities, chief executives of regional development institutions, and heads of municipal authorities.

The lectures covered project financing, measures of government support for investment projects and included case studies of projects. The VEB.RF team acted as experts and mentors to the regional teams, which presented the initial results of their work on investment projects.

"I believe this kind of cooperation between regional leaders and VEB.RF helps the regions to get a more detailed understanding of how we look at investment projects, what requirements exist at VEB.RF, while representatives of VEB.RF offered colleagues ideas on how to make the project not only socially significant, but also attractive to investors. I think such events are equally useful to both parties."

Nikolay Tsekhomsky
First Deputy Chairman and Member of the Board, VEB.RF

Project Finance Factory training workshop

VEB.RF and the National Bank of the Republic of Uzbekistan for Foreign Economic Activity (NBU) jointly held a training workshop at the Banking and Finance Academy in December 2019 to study the Project Financing Factory model developed by VEB.RF.

The workshop was designed to improve skills in the Uzbek banking and financial sectors. The participants were able to study the Project Finance Factory concept and mechanism: PFF characteristics, the role of government support for projects, and approaches to structuring transactions, projects and business processes.



EASTBOUND international start-up contest

EASTBOUND is an open international start-up contest organised by VEB Ventures in cooperation with the Skolkovo Foundation and foreign partners to help Russian technology companies to enter international markets

- **Two contests at SPIEF 2019** in Saint Petersburg (14 contestants and more than 120 participants)
- **Three contests at Open Innovations** in Moscow (25 contestants and more than 100 participants)
- **EASTBOUND.CAMP workshop** at EEF 2019 in Vladivostok on 3 and 4 September (20 contestants and about 30 participants)

The qualifying rounds of EASTBOUND and EASTBOUND.CAMP allowed the participating start-ups to test their business ideas, receive comprehensive advice on global project promotion and present their projects to potential investors from India, China, Korea, Japan and Singapore.

Four workshops "How to Charm an Investor" at Open Innovations in Moscow and the Urban.Tech Moscow 2019 hackathon and accelerator (about 30 participants each day)

Pitch sessions and workshops during a **start-up tour across Russia** (Stavropol, Yakutsk, Lipetsk, Chelyabinsk and Saint Petersburg) on how to prepare projects for submission to a state development institution (a total of over 100 participants)

Start-up Multi-service Centre

The first Start-up Multi-service Centre was opened by VEB Ventures and its partners in November 2019

The centre provides start-ups with information about programmes of support from regional and federal development institutions and private and public investment funds. The estimated number of clients in the centre's first year of operation is 10,000 people from Moscow and other Russian regions.

Financial Literacy Week in Belarus

Financial Literacy Week takes place in Belarus every March

Bank BelVEB branches traditionally hold events throughout the week to improve financial literacy among young people. The events are organised as open lessons, quizzes, presentations, lectures and information sessions. Students learn about the importance of savings, personal budgeting and financial prudence.

Territory of Meanings

The Territory of Meanings is a Russian education forum that was held for the fifth time in 2019 and brought together 6,000 young people

During the forum, VEB Ventures experts gave the Energy of Your Start lecture. The lecture also took place in Yakutsk, Lipetsk, Chelyabinsk, and Saint Petersburg during the year. The lecture was attended by more than 100 people in each city.

Global City Hackathon

Global City Hackathon (Nizhni Novgorod) has the status of an initiative of the World Economic Forum's Global Future Council on Russia. The project is organised by the Nizhni Novgorod Region Government, the Nizhni Novgorod Administration, VEB.RF (MONOTOWNS.RF), Strategy Partners and Philtech Initiative

The event brought together 200 participants in 2019: experts on social issues and digital technology, start-up teams, software engineers, designers, marketing professionals and sociologists. The main goal was to discuss technology projects that could significantly affect quality of life in the city and ensure open dialogue among the administration, local residents and communities.

Traineeships

Bank BelVEB

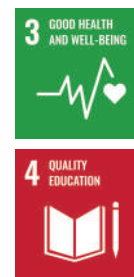
The bank organised externships and internships for 136 trainees in 2019 (122 university students and 14 schoolchildren). The head office and regional branches provided training for 58 and 78 people respectively.

MONOTOWNS.RF

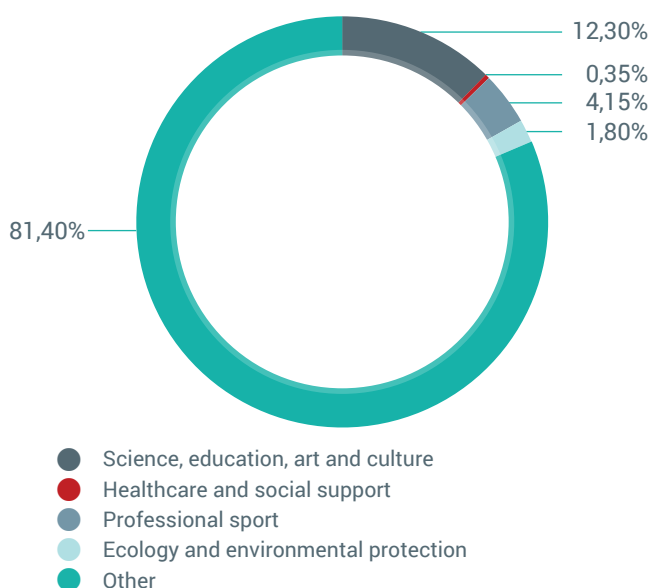
The finalists of the Volunteers of Russia contest were invited to take part in the fund's trainee programme.

Corporate Charity and Sponsorship

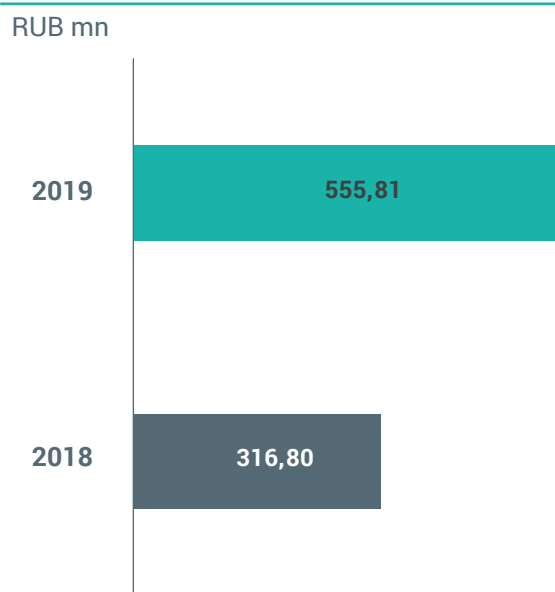
VEB.RF's Supervisory Board approved exceptional charity and sponsorship programmes for VEB.RF in 2019 to support the list of charity and sponsorship projects, which would make the most effective contribution to attaining VEB.RF's objectives.



CHARITY FROM VEB.RF AND VEB.RF ENTITIES IN 2019 BY AREA



TOTAL CHARITY FROM VEB.RF AND VEB.RF ENTITIES



Examples of charity projects in 2019

Support for the Far East Days Festival in Moscow

The annual festival aims to inform a wide range of people about qualitative changes in the Far Eastern economic and social environment and unveil social and economic opportunities in the Far Eastern Federal District.

The three-day festival in 2019 attracted 27,369 visitors.

Support for the Russian Union of Martial Arts

The Russian Union of Martial Arts is an association of Russian sports federations and organisations representing various styles and disciplines of martial arts and combat sports. The union annually holds national and international sports events such as the Asia-Pacific Youth Games (Khabarovsk), the Victory Relay (Far Eastern Federal District), the Far Eastern Federal District Open Martial Arts Student Games (Blagoveshchensk) and the Martial Arts Festival (Ulan-Ude).

Support for the Amur Tiger Center

The Amur Tiger Center was founded by the Russian Geographical Society in 2013 as a project initiated by Russian President Vladimir Putin. Its mission is to preserve Amur tigers in the Far East and increase their population to 700 individuals by 2022. The organisation received financing to carry on its nature conservation activities, maintain its operation and provide equipment for squads of federal hunting supervision authorities in the Primorie and Khabarovsk Territories.

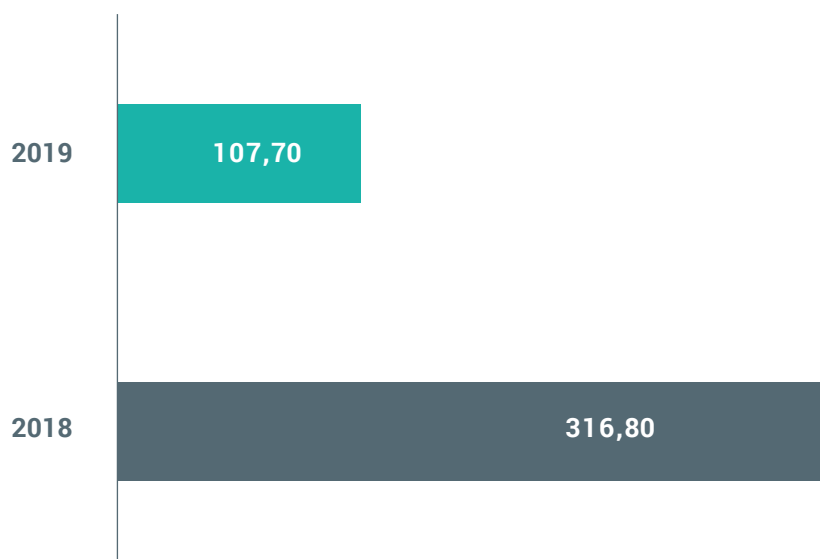


Support for the Bolshoi Theatre Foundation

VEB.RF received representation on the Bolshoi Theatre Board of Trustees again in 2019. The Bolshoi Theatre Foundation was established in 2002 to support artistic and other projects of the Bolshoi Theatre, including projects under the Programme of Social and Charitable Activities.

TOTAL SPONSORSHIP FROM VEB.RF AND VEB.RF ENTITIES

RUB mn



All sponsorship went to forums, conferences and exhibitions in 2019.

Examples of sponsorship projects in 2019

Support for the Far East Street exhibition

The Far East Development Fund provided sponsorship for the Far East Street exhibition at the Eastern Economic Forum in 2019. The exhibition showed the achievements, unique culture, traditions and cuisine of the Russian Far East and presented the region's economic and tourism potential.

The forum included several events planned under the Environmental Protection national project, such as projects to conserve biodiversity and promote ecotourism in the Far Eastern specially protected natural areas.

Corporate Volunteering

In 2019, one of the main areas of corporate volunteering in VEB.RF and VEB.RF entities continued to be the Dreams Have No Age charitable project aimed at helping the Enjoyable Aging Charity Foundation to provide care for residents of retirement and nursing homes. The project was launched in 2016 and is supported by employees of VEB.RF and VEB.RF entities on an ongoing basis.



Dreams Have No Age project in 2019

- VEB.RF offices have charity cash boxes for donations used to buy things needed by retirement homes.
- VEB.RF volunteers visited the retirement and nursing home in Vyshny Volochyok, Tver Region, in April and gave its residents care products and presents.
- Donations to the Enjoyable Aging Charity Foundation were collected on the occasion of 9 May.
- In December, the Vyshny Volochyok retirement and nursing home received **450 sets of bedclothes, 900 pairs of absorbent briefs, 900 reusable sheets for bedridden residents, 900 pairs of medical gloves, 900 packets of hygiene products, 900 packets of diabetic-friendly sweets and 900 packets of tea and coffee. Volunteers also gave items of clothing, craft kits, tabletop games, educational books and eight televisions.**
- A charitable event was held to collect New Year presents for residents of the Vyshny Volochyok retirement and nursing home. VEB.RF offices were decorated with New Year trees with greeting cards from Vyshny Volochyok. Every staff member could take part in the event and prepare a personal present.
- Volunteers from VEB.RF and VEB.RF entities visited the Vyshny Volochyok retirement and nursing home on 14 December to wish the elderly residents a Happy New Year.



г.Вышний Волочек, Тверская область

Дом-интернат для престарелых и инвалидов

550 жильцов разных возрастов, есть ветераны войны и труда, есть параолимпийцы. Много лежачих, которым требуется особенное внимание и уход.

Vyshny Volochyok, Tver Region, Retirement and nursing home. 550 residents of various ages, including war and labour veterans and Paralympians. Many of them are bedridden and need special attention and care.

Other volunteer events of VEB.RF and VEB.RF entities in 2019**REC volunteers**

- organised a charitable event to collect things for students at the Sosenky Boarding School
- took part in the corporate Blood Donor Day event
- raised RUB1.5mn in donations to a homeless shelter, Noah House of Industriousness
- held the New Year Tree of Wishes, a charitable event under Russia's charity project Dream with Me, and fulfilled wishes of more than 20 children

FEDF volunteers

- continued with the corporate volunteering project during the year to help children from the Orekhovo-Zuyevo orphanage

InfraVEB volunteers

- visited the retirement home in Mosalsk, Kaluga Region
- made donations to the the retirement and nursing home in Mikhaylov, Ryazan Region

VEB.RF volunteers

- sent Victory Day greetings to WWII veterans living near the VEB.RF office (the Arbat in Moscow). Volunteers collected donations to buy presents for veterans. Volunteers visited veterans on 6, 7 and 8 May to deliver their greetings in person. The campaign also involved DOM.RF employees







VEB.RF. EFFICIENT GOVERNANCE



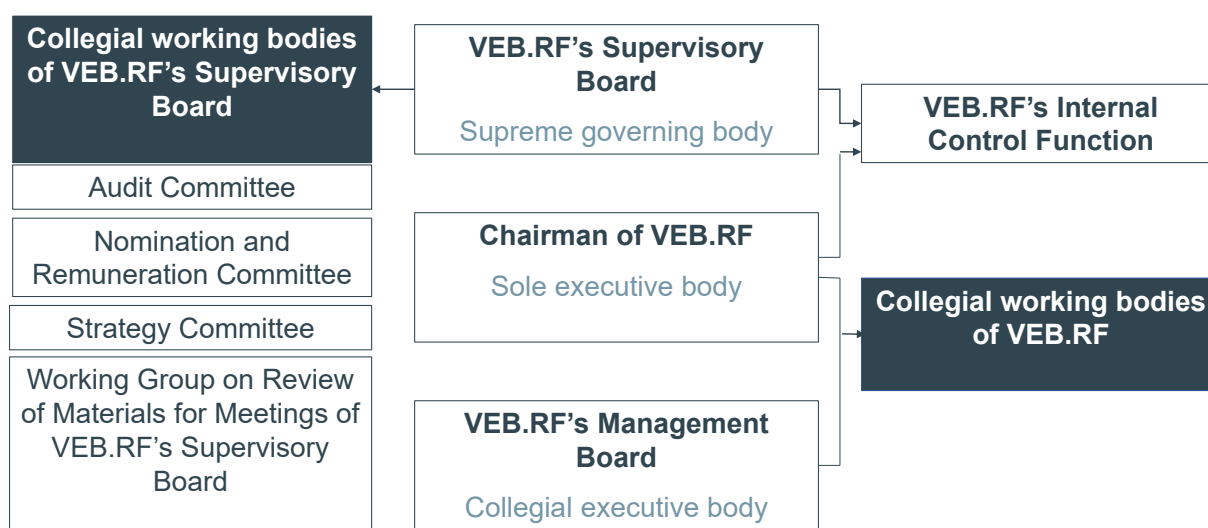
VEB.RF. EFFICIENT GOVERNANCE

Corporate Governance

As part of organising the work of its governance bodies and due to its special status, VEB.RF is guided by the provisions of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended), the Memorandum on Financial Policies of Development Corporation VEB.RF approved by Ordinance of the Government of the Russian Federation No. 1510-r²⁶ of 23 July 2018 (as amended), and regulatory documents applicable to VEB.RF's collegial bodies. Additionally, VEB.RF's process of improving corporate governance uses the best global practices and standards.

VEB.RF's governing bodies consist of VEB.RF's Supervisory Board, VEB.RF's Management Board and VEB.RF's Chairman, operating within the mandate of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended). In addition, VEB.RF's Supervisory Board and executive governing bodies have collegial working bodies, namely committees and working groups.

Corporate governance system of VEB.RF



Supervisory Board of VEB.RF

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 Government for a term of five years.

²⁶ VEB.RF's regulatory documents are posted on its corporate website at <https://вэб.рф/o-banke/normativno-pravovaya-baza/>

Members of VEB.RF's Supervisory Board in 2019

Dmitry Medvedev

Chairman of VEB.RF's Supervisory Board, Prime Minister of the Russian Federation

Maxim Akimov

Member of VEB.RF's Supervisory Board, Deputy 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

Vitaly Mutko

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 Siluanov

Member of VEB.RF's Supervisory Board, First Deputy Prime Minister and Minister of Finance of the Russian Federation

Konstantin Chuychenko

Member of VEB.RF's Supervisory Board, Deputy Prime Minister and Chief of Staff of the Government Executive Office of the Russian Federation

Igor Shuvalov

Member of VEB.RF's Supervisory Board, Chairman of VEB.RF

The website of the Government Executive Office of the Russian Federation contains information about the members of VEB.RF's Supervisory Board. The current members as at the date of the Report were approved by Ordinance of the Government of the Russian Federation No. 582-r of 9 March 2020.

The composition of VEB.RF's Supervisory Board did not change in 2019.

In accordance with Article 9 of Chapter 3 of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended), the amount of remuneration and/or compensation payable to the members of VEB.RF's Supervisory Board is subject to approval by the Government of the Russian Federation.

In 2017–2019, no remuneration was paid to the members of VEB.RF's Supervisory Board.

Management Board of VEB.RF

The collegial executive body of VEB.RF is its Board. VEB.RF's Board comprises VEB.RF's Chairman by virtue of his/her position and members of VEB.RF's Board nominated by VEB.RF's Supervisory Board. VEB.RF's 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 Prime Minister for a maximum term of five years.

Members of VEB.RF's Management Board in 2019

Igor Shuvalov
Chairman of VEB.RF

Mikhail Kuzovlev
First Deputy Chairman of VEB.RF, member of the Board

Andrei Klepach*
Deputy Chairman of VEB.RF (Chief Economist), member of the Board

Sergei Lykov
Deputy Chairman of VEB.RF, member of the Board

Alexey Miroshnichenko
Deputy Chairman of VEB.RF, member of the Board

Mikhail Poluboyarinov
First Deputy Chairman of VEB.RF, member of the Board

Natalya Timakova
Deputy Chairperson of VEB.RF, member of the Board

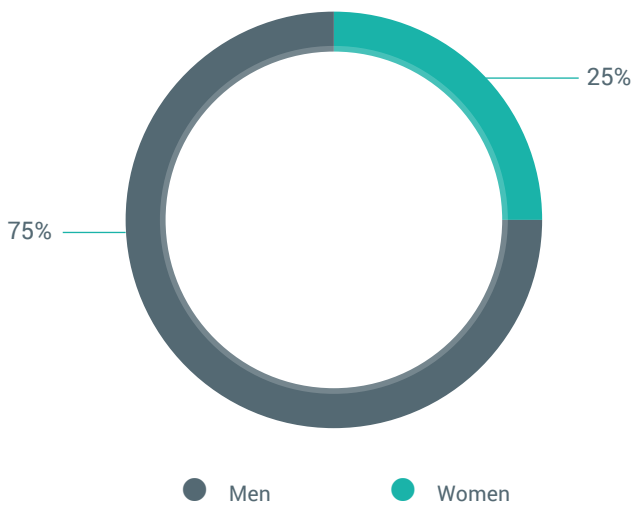
Nikolay Tsekhomsky
First Deputy Chairman of VEB.RF, member of the Board

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

* The term of office of Andrei Klepach as a member of the Board expired in 2019. As at 31 December 2019, Andrei Klepach was not a member of VEB.RF's Board.

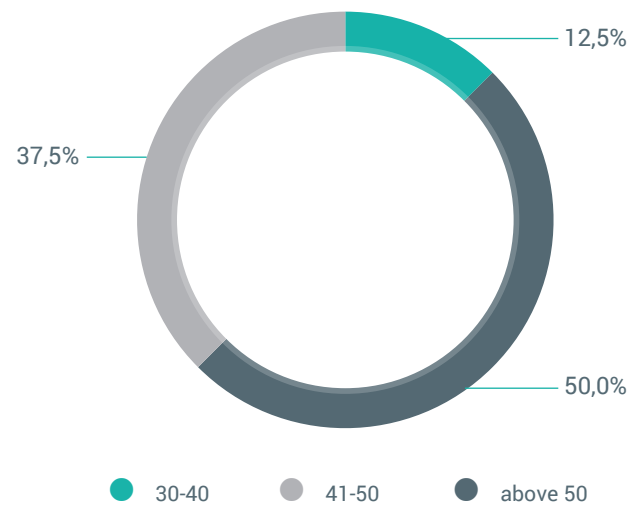
VEB.RF'S BOARD BY GENDER

as at 31.12.2019



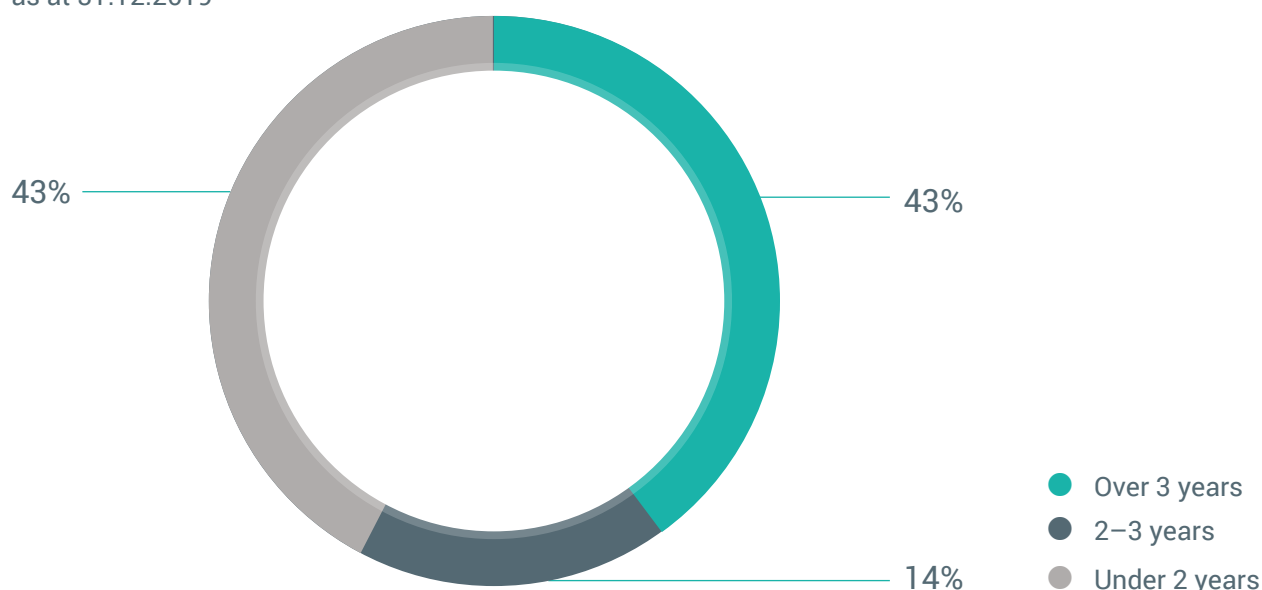
VEB.RF'S BOARD BY AGE

as at 31.12.2019



VEB.RF'S BOARD BY TERM OF OFFICE

as at 31.12.2019



In accordance with Article 9 of Chapter 3 of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended), the amount of remuneration and/or compensation payable to the members of VEB.RF's Board is subject to approval by VEB.RF's Supervisory Board. In addition, as specified in Article 12 of Chapter 3 of Federal Law No. 82-FZ of 17 May 2007 "On State Development Corporation 'VEB.RF'" (as amended), VEB.RF's Supervisory Board determines the amount of remuneration payable to VEB.RF's Chairman.

Information about the current members of VEB.RF's Board is published on VEB.RF's website.

Information about remuneration paid to the members of the Board is disclosed in VEB.RF's quarterly reports at

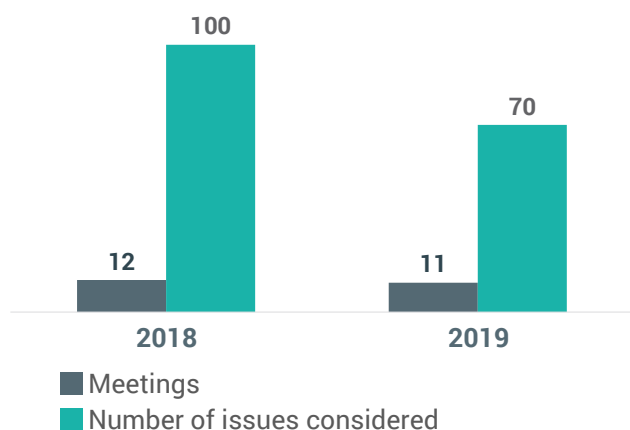
<https://вэб.рф/investoram/otchetnost/kvartalnyye-otchety/>

Information about income, expense, property and property obligations of VEB.RF employees is published on the corporate website at

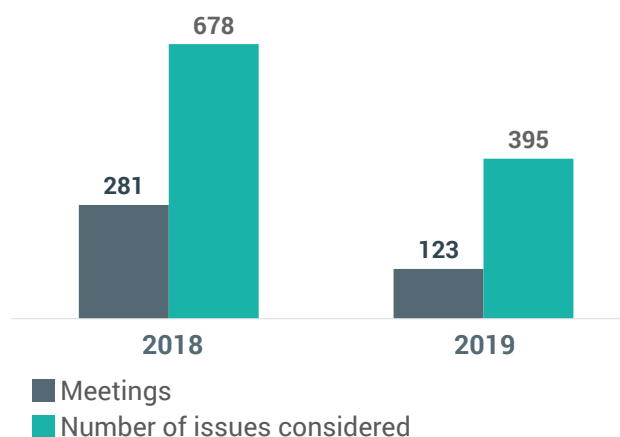
<https://вэб.рф/o-banke/protivodeystviye-korruptsii/svedeniya-o-dokhodakh-raskhodakh-ob-imushchestve-i-obyazatelstvakh-imushchestvennogo-kharaktera/>

ACTIVITIES OF VEB.RF'S GOVERNING BODIES IN 2019

VEB.RF'S SUPERVISORY BOARD



VEB.RF'S BOARD



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

Collegial Working Bodies of VEB.RF's 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.

Collegial working bodies of VEB.RF's Supervisory Board

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

Andrey Ivanov

Deputy Minister of Finance 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 Board

Igor Shuvalov

Chairman of VEB.RF

Svetlana Yachevskaya

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

NUMBER OF MEETINGS – 4.

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

Yuri Gazaryan

Deputy Chairman of VEB.RF

Yevgeny Dietrich

Minister of Transport of the Russian Federation

Andrey Ivanov

Deputy Minister of Finance of the Russian Federation

Denis 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 Staff of the Government Executive Office of the Russian Federation

Igor Shuvalov

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 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

MEMBERS:**Maxim Oreshkin**

Minister of Economic Development of the Russian Federation

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 – 6.

Working Group on Review of Materials for Meetings of VEB.RF's Supervisory Board

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

MEMBERS:**Maxim Akimov**

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

Valery Sidorenko

Deputy Chief of Staff of the Government Executive Office 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 Staff of the Government Executive Office 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 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

Nikolay Tsekhomsky

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

Andrei Chesnokov

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

NUMBER OF MEETINGS – 14.

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.

Collegial Working Bodies of VEB.RF

VEB.RF's collegial working bodies are established by VEB.RF's 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.

Collegial working bodies of VEB.RF*

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

Financial Committee

KEY FUNCTIONS:

Give preliminary consideration to and prepare materials; submit opinions and recommendations to VEB.RF's executive bodies; take decisions regarding planning and control, management of assets and liabilities, management of interest rate, currency, market and liquidity risks, and break-even performance

Risk Management Committee

KEY FUNCTIONS:

Give preliminary consideration to and prepare materials; submit opinions and recommendations to VEB.RF's executive bodies; take decisions regarding VEB.RF's and VEB.RF entities' risk management and VEB.RF's business continuity management

Credit Committee

KEY FUNCTIONS:

Organise measures to implement the Federal Law on VEB.RF, the Memorandum on Financial Policies of VEB.RF and the lending policy regulations of VEB.RF by giving preliminary consideration to and preparing materials and taking decisions to provide opinions and recommendations to VEB.RF's governing bodies, by taking decisions regarding the exercise of VEB.RF Chairman's specific authority to finance VEB.RF projects, regarding the exercise by VEB.RF of its authority as a creditor under the VEB.RF projects whose implementation involves changes to credit risk, regarding VEB.RF's credit risk management in VEB.RF's investment, financial and other activities, and regarding the performance and development of VEB.RF entities' investment activities

Strategic Development Committee

KEY FUNCTIONS:

Consider issues related to VEB.RF's strategic development; assist VEB.RF's Board in taking strategic decisions to enhance VEB.RF's long-term performance

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

Subcommittee on Proactive Response to Debtors' Insolvency (Bankruptcy)

KEY FUNCTIONS:

Prepare proposals for the Distressed Asset Management Committee of VEB.RF regarding the list of self-regulatory organisations of official receivers to be used for defining VEB.RF's position on the selection of self-regulatory organisations in bankruptcy proceedings against VEB.RF's debtors; define the position on agenda issues of the creditors' meetings; ensure quick response to other urgent issues arising out of insolvency (bankruptcy) proceedings if delayed response of a lack of response may have an adverse effect on VEB.RF

Distressed Asset Management Committee

KEY FUNCTIONS:

Organise measures to deal with distressed assets of VEB.RF and VEB.RF entities, including bad debts and distressed assets received from the settlement of overdue debts and/or deemed to be bad debts and distressed assets for other reasons; make recommendations to VEB.RF's governing bodies and VEB.RF entities for managing distressed assets, settling bad debts and administering and owning assets of VEB.RF and VEB.RF entities (except for the asset administration issues falling within the purview of the Credit Committee of VEB.RF)

VEB.RF Group Security Committee

KEY FUNCTIONS:

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

Working Group for Coordination of Public Borrowings by Subsidiary Banks and Companies

KEY FUNCTIONS:

Support VEB.RF's subsidiary banks 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

* In order to streamline VEB.RF's corporate governance system, three collegial working bodies of VEB.RF were disbanded in 2019. For more information, see "Developing Corporate Governance".

Developing Corporate Governance

In order to streamline VEB.RF's corporate governance system, the following collegial working bodies of VEB.RF were disbanded in 2019:

- Investment Development Committee of VEB.RF (Minutes of the Meeting of VEB.RF's Board No. 69 of 6 August 2019);
- Business Continuity Management Committee of VEB.RF (VEB.RF's Order No. 51 of 24 April 2019);
- Subsidiary and Affiliate Management Committee of VEB.RF (VEB.RF's Order No. 51 of 24 April 2019).

Additionally, adjustments were made to the powers of the existing collegial working bodies, including the approval of a new version of the Regulations for the Supervisory Board of State Development Corporation VEB.RF (Resolution of the Government of the Russian Federation No. 1117 of 29 August 2019).

In order to continue streamlining VEB.RF's corporate governance system, it is intended that the following collegial bodies of VEB.RF will be disbanded in 2020:

- Process and Technology Management Committee of VEB.RF;
- Strategic Development Committee of VEB.RF;
- Working Group for Coordination of Public Borrowings by Subsidiary Banks and Companies of VEB.RF;
- Working Group for Coordination of Liquidity and Risk Management at Subsidiary Banks and Financial Companies of VEB.RF.

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 2019, VEB.RF's Supervisory Board considered quarterly reports of the ICF on a regular basis.

The annual statutory audit of the annual accounting (financial) statements of VEB.RF in accordance with Russian Accounting Standards is conducted by independent auditors selected by VEB.RF's Supervisory Board on a competitive bidding basis. In 2019, the annual accounting statements of VEB.RF were audited by Ernst & Young LLC for a fee of RUB8,773,145.60, inclusive of VAT.

Managing VEB.RF Entities

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

To improve the effectiveness of governance and create the organisational conditions for achieving the goals and objectives of VEB.RF's activities, Order No. 81 of 11 July 2019 specified the transition from an administrative management model, the main element of which is a strict delineation of powers and responsibilities, along with technical compliance with orders and instructions, to a modern management model built on result-oriented performance, the absence of organisational and bureaucratic barriers, the replacement of purely hierarchical relations by the autonomous coordination of activities, and the interaction among functional units, standalone and separate divisions of VEB.RF, officers and employees of VEB.RF, VEB.RF entities and the development institutions coordinated by VEB.RF.

Risk Management

At VEB.RF, risk management is performed through certain measures to achieve financial performance and financial sustainability of VEB.RF and its entities in uncertain conditions. Risk management includes identification of risk type, assessment of their significance, timely identification of risks and addressing them, as well as ensuring consistent risk management approach at VEB.RF and its entities.

The major risk management goals, objectives, methods and approaches for VEB.RF and VEB.RF entities are outlined in the Risk Management Policy of VEB.RF and VEB.RF entities, updated in 2019. The Policy defines the risks inherent in the activities of VEB.RF and VEB.RF entities. The risks are divided into material and non-material. Management tools are determined for all material risks.

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

The Risk Management Unit is a standalone function designed to organise risk management and monitor and control the level of accepted risks. The principal regulatory documents governing risk management of VEB.RF entities are subject to preliminary approval by VEB.RF's Risk Management Unit. The objectives of the Risk Management Unit are directly derived from VEB.RF's KPIs, which are directly derived from the VEB.RF business model.



* Weights of strategic goals in VEB.RF's KPIs

At VEB.RF and VEB.RF entities, in order to determine the highest tolerable (acceptable) risks, VEB.RF's Board approves risk appetite, compliance with which is monitored on a regular basis. To assess or limit risks for individual financial instruments and/or transactions (operations) and/or portfolios, a system of indicators, restrictions and limits based on risk appetite was approved. Risk assessment is based

on formalised methods that are subject to verification and validation. Stress tests are used to simulate stress scenarios and develop an action plan in case of events considered statistically unlikely.

The Memorandum on Financial Policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" sets capital adequacy ratios that limit credit risks, market risks and operating risks of VEB.RF.

In the course of transaction risk due diligence, VEB.RF not only identifies and analyses the credit risk, but also performs the same for the interest rate risk and currency risk. The credit risk is mitigated through the high requirements to the credit quality of the counterparts and the structure of deals, setting risk limits on the borrowers (counterparts/issuers) or a group of related borrowers that restricts the scope of transactions subject to the credit risk. VEB.RF has an early warning system identifying non-performing debt and addresses it proactively.

VEB.RF regularly calculates a necessary liquidity buffer and forecasts a survival horizon for VEB.RF and entities it coordinates in stress circumstances. It also ensures that its liquidity cushion is sufficient.

"While evaluating the stability of VEB.RF and the development institutions during 2019, we did for the first time a joint stress test based on the Bank of Russia's standard for large banks (so-called systemically important credit institutions). The stress test confirmed the financial stability in the event of a stress scenario similar to the crises of 2008 and 2014."

Igor Shuvalov
Chairman, VEB.RF

In the course of managing market risk, VEB.RF applies the market risk mitigation policy and tries to mitigate its impact on the financial indicators.

VEB.RF organised a process to manage operating risk; it has created and maintains an analytical data base of events of the operating risk by key processes/activities of VEB.RF; it organised the business continuity management.

In 2019, VEB.RF continued the process of improving the effectiveness of risk management as an essential element of VEB.RF's business model. In order to increase the effectiveness of risk management, VEB.RF introduced in 2019 a uniform due diligence procedure for projects of VEB.RF and VEB.RF entities, approved a restated version of the Risk Management Policy of VEB.RF and VEB.RF Entities, which defines the basic principles of risk management for VEB.RF and VEB.RF entities.

In 2019, the Risk Management Unit held a strategic session to discuss the impact of VEB.RF's strategy on the Risk Management Unit's objectives, the map of the Risk Management Unit's current and future projects aimed at achieving the strategic objectives, and day-to-day practices that make it possible to implement the principles of VEB.RF team interaction.



"We should make sure that we are all 'on the same page', understand and share the goals and objectives of VEB.RF, and—most importantly—that everyone understands the role of the Risk Management Unit in reaching these objectives and their personal contribution to common success. Since the Risk Management Unit is busy with 50 transformation initiatives, more than 30 of which are in the active phase, all employees of the Unit must be aware of the entire transformation agenda and find for themselves the projects where their competencies will be useful to the greatest extent."

Aleksey Miroshnichenko
Deputy Chairman and Member of the Board, VEB.RF

Main model of risk management at VEB.RF entities: centralisation (risks are managed directly by VEB.RF); partial centralisation (certain types of risks are managed by VEB.RF), localisation (risks are managed by a VEB.RF entity).

The potential impact of currency exposure on the financial result of VEB.RF was reduced in 2019 by switching to managing currency exposure calculated in accordance with IFRS (reflecting VEB.RF's economic currency exposure), while the impact of the market revaluation based on the securities portfolio was decreased by reclassifying most securities in the portfolio prior to maturity.

In 2019, the Bank of Russia reflected in the regulatory documents VEB.RF's special status of a so-called public sector entity as defined by the Basel standard and allowed commercial banks to account for VEB.RF-guaranteed loans with a reduced risk weight of 20%.

Priority development areas of risk management

- Ensure the optimisation, digitalisation and standardisation of the credit process to substantially accelerate it and reduce its bureaucratic obstacles while maintaining the quality of independent assessment
- Minimise the impact of all non-credit risks on the financial result of VEB.RF
- Develop the function of data management and in-depth analytics in risks, bringing risk reporting to a qualitatively new level
- Create common processes and data and unify approaches within the coordination of the development institutions' risk management



Measures taken to enhance risk management in 2019

- Optimisation of the investment and credit process through parallel due diligence and quick assessment for projects under review
- Reduction of loan process costs
- Simplification of the process of setting credit risk limits on countries and financial institutions
- Preparation of a set of risk benchmarks for project financing
- Development and external validation of a new risk model for project financing, approval of a uniform system of risk limits and restrictions based on updated risk appetite
- Development and automation of an early warning system detecting a bank's poorer creditworthiness
- Implementation of the procedure for calculating a necessary liquidity buffer and forecasts for a survival horizon for VEB.RF and entities it coordinates in stress circumstances
- Minimisation of the potential impact of currency exposure on the financial result of VEB.RF
- Minimisation of the impact of the market revaluation based on the securities portfolio on the financial result of VEB.RF
- Expert assessment of operational risks associated with outsourcing some of VEB.RF's functions
- Modernisation of the operational risk event database
- Expert assessment of operational risks at the bank's divisions
- Expert assessment of operational risk for VEB.RF's key processes/activities
- Analysis of the impact of disruptions on VEB.RF's key processes/activities; formation of a list of VEB.RF's critical processes
- Contracts for directors and officers (D&O) liability insurance and bankers blanket bond (BBB) insurance
- Measures aimed at developing information systems and integrating key elements of risk management into business processes

Activities as Part of the Coordination of Development Institutions

In 2019, VEB.RF started working with the risk management units of other development institutions, participated in establishing the Risk Management Coordination (Expert) Council of VEB.RF, DOM. RF, REC and RSMB Corporation where the development institutions are represented on an equal basis and share best practices. VEB.RF, together with REC, developed a country risk assessment model. Methodologies converged and mutual transparency increased in areas such as market risk management, liquidity risk management and operational risk management.

Implemented in 2019



Uniform **system of scales and indicators**, uniform **standard of operational risk management**



Aggregation of stress tests for all development institutions in support of **capital adequacy for risks** at the National Council



Uniform **standard of market risk limits and balance sheet risks**



Joint **development and use of risk assessment models**: country model and project model

Developing Information Systems

- The limit control module of the automated system "Treasury Data Management Centre and Limit Control" is in test operation
- The automated system "Risk Manager's Financial Module" designed for credit analysis, risk management support and data storage is under development.
- The process of forming a group of related borrowers is automated
- VEB.RF's new bank system (Automated Bank System, ABS) and IFRS 9 calculation module are in test operation
- Approaches are developed for the system automation of the operational risk management process and for the creation of an automated operational risk management system

Inculcating Risk Culture in VEB.RF Employees

- Online training was provided for all VEB.RF employees with respect to the process of collecting data on operational risk events
- Together with external consultants, a seminar was held for managers on best practices in operational risk management
- A seminar was held for responsible officers on business continuity management (disruption impact analysis)



"The primary task set by VEB.RF Chairman Igor Shuvalov is to build an effective, modern risk management system, taking into account the nature and scale of the development institution's activities. Meanwhile, the tools used to support projects and, accordingly, come within the purview of risk management are basically financial banking instruments."

Aleksey Miroshnichenko
Deputy Chairman and Member of the Board, VEB.RF

In 2019, a proactive system approach to operational risk management (ORM) was introduced into VEB.RF; the operational risk management procedures are applied in accordance with the Operational Risk Management Standard for development institutions:

- VEB.RF divisions have employees responsible for ORM,
- ORM training was provided for the heads of VEB.RF divisions with the involvement of external consultants;

- periodic online training is provided for all VEB.RF employees with respect to collecting data about operational risk events;
- data about operational risk events are systematically collected and analysed;
- an analytical database of operational risk events was created and is maintained;
- a methodology was developed for maintaining an analytical database of operational risk events;
- an expert assessment was made in relation to operational risks for VEB.RF's key processes/activities.

Organising VEB.RF's Business Continuity Management

- The impact of disruptions on VEB.RF's key processes/activities were analysed (BIA).

Insurance

- Contacts were signed for directors and officers (D&O) liability insurance and bankers blanket bond (BBB) insurance for 2019.
- The terms and conditions of directors and officers (D&O) liability insurance were optimised and approved by VEB.RF's Supervisory Board; and addendum to the contract was prepared for 2019.

Anti-corruption

VEB.RF 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 VEB.RF entities perform their office duties with due account for their in-house codes of ethics and conduct, and other internal regulations on anti-corruption.

VEB.RF carried out a package of measures in 2019 to improve the effectiveness of anti-corruption in accordance with the VEB.RF Anti-Corruption Plan for 2018–2020, which includes 31 measures. An analysis was conducted to identify conflicts of interest among VEB.RF executives included in the governing bodies of VEB.RF entities.

Work was organised to ensure that VEB.RF employees would use special software to report their income, expense, property and property obligations in certificates of income, expenses, property and property obligations as provided for in the 2018–2020 National Plan of Combating Corruption approved by Decree of the President of the Russian Federation No. 376 of 30 June 2018. The reporting campaign consistent with the new legal requirements was completed according to schedule. VEB.RF supervised the meeting of the deadlines for providing information on income, expenses, property and property obligations and analysed such information thoroughly.

In accordance with the procedure set forth in Russian legal regulations and VEB.RF's bylaws, VEB.RF verified the accuracy and completeness of information submitted by its employees and checked their compliance with restrictions, bans and conflict of interest requirements and their performance of the duties specified in Russian anti-corruption legislation.

VEB.RF collaborates with VEB.RF entities to ensure the uniformity of measures to prevent corruption at VEB.RF and its subsidiaries, take organisational measures to prevent corruption at VEB.RF entities, provide them with advisory and methodological assistance in the area of anti-corruption, and supervise their approval of internal regulations aimed at ensuring the implementation of the provisions of Article 13.3 of Federal Law No. 273-FZ of 25 December 2008 "On Combating Corruption" and other legal regulations of the Russian Federation on anti-corruption.

VEB.RF paid particular attention in 2019 to strengthening measures to prevent corruption and other offenses, as this makes it possible to prevent such offenses, identify their causes and eliminate the conditions that may encourage them.

The basis of preventive measures is the formation of a negative attitude to corrupt behavior, explanatory work, advice and training for VEB.RF employees in anti-corruption, their compliance with bans, restrictions and business conduct requirements.

VEB.RF and VEB.RF entities work to promote more robust anti-corruption behaviour among their employees:

- employees are introduced, with a signed acknowledgement, to regulatory documents on preventing and combating corruption. Employees are promptly informed about changes in anti-corruption legislation;
- individual advice is provided for VEB.RF employees about anti-corruption, specifically restrictions, bans and requirements to prevent or resolve conflicts of interest.
- VEB.RF's functional units and divisions are provided with newsletters explaining the conduct of VEB.RF employees when they receive requests and invitations from contractors to events other than formal or official events in order to ensure compliance with anti-corruption bans and restrictions;
- methodologies are developed for duties, restrictions and bans prescribed for VEB.RF employees in order to prevent corruption offences.

In 2019, training was provided for employees in Voronezh in preventing and combating corruption. VEB.RF employees' knowledge of restrictions, bans and obligations established by legislation and internal regulations was tested for anti-corruption purposes.

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 Policy. The Compliance and Conflict of Interest Commission of VEB.RF held one meeting in 2019, considering information received from VEB.RF employees about objective reasons for their failure to disclose income, property and property obligations of their spouses and the Commission decided accordingly.

No confirmed cases of corruption were identified at VEB.RF in 2018. No confirmed incidents when contracts were terminated or not renewed due to violations related to corruption in 2019 were identified. No public legal cases regarding corruption were brought against VEB.RF or VEB.RF entities or their employees during the reporting period

In 2019, the posts and positions at all of VEB.RF's divisions were examined for corruption-generating factors in labour functions and official powers, which resulted in adjusting and clarifying the list of VEB.RF's posts and positions that require the submission of information about employees' income, property and property obligations, as well as information about income, property and property obligations of their spouses for 2019, the posts and positions at all of VEB.RF's divisions were examined for corruption-generating factors in labour functions and official powers, which resulted in adjusting and clarifying the list of VEB.RF's posts and positions that require the submission of information about employees' income, property and property obligations, as well as information about income, property and property obligations of their spouses and minor children. In accordance with the requirements for the publication and contents of subsections about anti-corruption and the official websites of federal governmental authorities, the Central Bank of the Russian Federation, the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the Federal Compulsory Medical Insurance Fund, state corporations (government-owned companies) and other organisations established under federal laws and in accordance with the requirements for posts and positions that require the disclosure of income, expense, property and property obligations as approved by Order of the Ministry of Labour of the Russian Federation No. 530n of 7 October 2013, the official website of VEB.RF contains the properly maintained subsection "Anti-corruption" with the required contents.

Advice on ethical and legal behaviour is provided in the form of oral consultations for VEB.RF employees and replies to their inquiries by electronic communication and by telephone at the numbers specified on the official website of VEB.RF (<https://вэб.рф/o-banke/protivodeystviye-korruptsii/obratnaya-svyaz-dlya-soobshcheniy-o-faktakh-korruptsii/>) and on the intranet of VEB.RF.

Individuals and organisations can use special forms on the official website of VEB.RF²⁷ to send allegations of corruption at VEB.RF or non-compliance by VEB.RF employees with restrictions, bans requirements for preventing or resolving conflicts of interest, as well as allegations of their failure to fulfil the anti-corruption duties. The official website of VEB.RF contains the contact telephone numbers for reporting allegations of corruption: (495) 604-65-65 ext. 65-02, (495) 604-65-65 ext. 61-37. The official website of VEB.RF contains the postal address for allegations of corruption to be sent in a sealed envelope marked "attn.: Department for the Prevention of Corruption and Other Offences, Security Unit, confidential" at 9 Akademik Sakharov Ave., GPS-6, Moscow, 107996, Russia.

²⁷ <https://вэб.рф/o-banke/protivodeystviye-korruptsii/obratnaya-svyaz-dlya-soobshcheniy-o-faktakh-korruptsii/>.

Divisions of VEB.RF and VEB.RF entities examined for corruption risks*

VEB.RF	Bank BelVEB	InfraVEB	REC Group	VEB Engineering	MONOTOWNS.RF	FEDF
100%	21,5%	100%	53,8%	73,3%	100%	100%

* VEB Innovations (VEB Ventures) is excluded because the company does not have an anti-corruption division.

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 controls aimed at combating money laundering and the financing of terrorism and proliferation (CML/FT&P internal controls), developed as separate documents (programmes) approved by VEB.RF's Chairman, describing VEB.RF's measures, and containing the operating and interaction procedure for departments and divisions for CML/FT&P purposes.

The programmes include the procedures aimed at identifying customers, customers' representatives, beneficiaries and beneficial owners, assessing customers' risk and the risk that VEB.RF services may be used for money laundering and the financing of terrorism and proliferation, promptly identifying operations and transactions subject to mandatory control and unusual transactions in customers' activities, documenting and storing received information, and taking measures to combat money laundering and the financing of terrorism and proliferation.

The CML/FT&P Officer appointed by the Chairman of VEB.RF is responsible for applying CML/FT&P internal controls.

VEB.RF has a special function responsible for developing and implementing CML/FT&P internal controls, 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&P.

VEB.RF's implementation of measures related to CML/FT&P is supervised by VEB.RF's Deputy Chairman, a member of the Board and the Head of Internal Control.

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

Principles of combating money laundering and the financing of terrorism and proliferation

- Protect VEB.RF from money laundering
- 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 CML/FT&P internal controls 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.

In 2019, VEB.RF switched over to a new procedure for submitting to the Federal Service for Financial Monitoring of the Russian Federation the following electronic information through the personal account page:

- operations subject to mandatory control;
- operations suspected to be associated with money laundering and the financing of terrorism and proliferation;
- suspended operations;
- measures to freeze money an/or any other assets;
- findings of due diligence.

Following the national assessment made by the Federal Service for Financial Monitoring of the Russian Federation in relation to the risk of money laundering and the financing of terrorism, VEB.RF took account of the findings of the assessment in 2019 and improved the application of the risk-based approach as follows:

- a case-by-case approach was prescribed for risk assessment in order to increase attention to customers' operations assigned an increased degree (level) of customer risk and to VEB.RF products (services) with increased risk of money laundering and the financing of terrorism;
- it was found necessary to assess the degree (level) of risk of using a specific product (service) of VEB.RF for money laundering and the financing of terrorism at least twice a year;
- the factors (criteria) of the risk level influencing the assessment were determined;
- changes were made to the procedure for assessing the degree (level) of risk of using a product (service) of VEB.RF for money laundering and the financing of terrorism.

As required by the Bank of Russia, CML/FT&P internal controls were supplemented with two new programmes:

- The programme that defines the procedure for VEB.RF's measures to freeze money or any other assets and verify whether its customers include any organisations and individuals about whom there is information about their involvement in the proliferation of weapons of mass destruction in accordance with Article 7.5 of Federal Law No. 115-FZ of 7 August 2001;
- The programme that defines the procedure for the suspension of operations involving money or any other assets in accordance with Article 7.5 of Federal Law No. 115-FZ of 7 August 2001.

Employee training and education in combating money laundering and the financing of terrorism and proliferation in 2019

Further (scheduled) training / induction (initial) training	894 employees
Specific training / advanced training	36 employees
Testing of VEB employees' knowledge of CML/FT & Proliferation	867 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&P is published on VEB.RF's website, with VEB.RF's CML/FT&P Questionnaire²⁸ updated on a regular basis.

²⁸ <https://veb.ru/o-banke/protivodeystviye-legalizatsii-prestupnykh-dokhodov/>.

Procurement

VEB.RF'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 VEB.RF entities²⁹ (within the boundaries of this Report) 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 VEB.RF's procurement practices is on cost effectiveness and cost reduction.

VEB.RF's Supervisory Board approved a restated version of the VEB.RF Procurement Regulations (Minutes of the Meeting 27 No. 5-DSP of 27 May 2019, as amended by No. 9-DSP of 13 December 2019), providing for increased efficiency and transparency of procurement by:

- removing purchases in simple (non-electronic) form, except for non-competitive purchases;
- setting a deadline for evaluating a competitive purchase,
- reducing the list of documents required to be provided by procurement participants as part of their bids;
- defining the procedure and particularities of joint purchases;
- specifying three-year planning for purchases from SMEs.

In 2019, VEB.RF's programme was approved to improve the quality of procurement management and introduce indicators describing the efficiency of procurement of goods, work, services for 2019–2021, providing for:

- introduction of a quality standard for procurement, including the appointment of persons responsible within functional units for the preparation of documents for procurement procedures;
- purchases in electronic form and on electronic platforms whose operators are included on the list approved by the Government of the Russian Federation.

In 2019, VEB.RF approved the regulations for the interaction among functional units in procurement activities.

More details about VEB.RF's procurement can be found at <https://вэб.рф/закупки/>.

²⁹ Excluding MONOTOWNS.RF, which is outside the purview of Federal Law No. 223-FZ of 18 July 2011, and Bank BelVEB, whose procurement is in accordance with the laws of the Republic of Belarus.

In 2019, improvements to VEB.RF's procurement procedures saved a total of RUB186.98mn.

As resolved by the Management Committee, VEB.RF set up the Corporate Bidding Centre to ensure coordination and interaction among VEB.RF entities for procurement purposes. Specifically, VEB.RF entities may accede to the VEB.RF Procurement Regulations and sign the related interaction agreements, defining the procedure for conducting consolidated (joint) purchases. The organiser of consolidated (joint) purchases, including with respect to determining the method and procedure of procurement, is VEB.RF. Decisions on procurement procedures are taken by VEB.RF's Competitive Procurement Commission, which allows VEB.RF entities to optimise the efforts of their employees in consolidated (joint) purchases.

VEB.RF entered into agreements with RSMB Corporation, REC and DOM.RF to implement uniform procurement standards.

Nine consolidated purchases in 2019 helped ordering entities to save over RUB95mn.

VEB.RF's programme to improve the quality of procurement management and introduce indicators describing the efficiency of procurement of goods, work, services for 2019–2021 provides for an increase in professional qualifications of persons engaged in procurement. In accordance with the programme, employees of VEB.RF's functional unit responsible for organising procurement must receive advanced training at least once every two years, and employees of VEB.RF's functional units engaged in purchases must receive advanced training at least once every three years. The regulations for the Competitive Procurement Commission specifies that the Commission mainly includes persons who have received professional training or advanced training in the organisation and conduct of procurement activities, the Secretary of the Commission receives training at least once every two years.

In 2019, six VEB.RF employees (members of the Commission and the Procurement Unit) received training under the advanced training programme in accordance with Federal Law No. 44-FZ and Federal Law No. 223-FZ, and 19 VEB.RF employees received training from an officer of the Federal Antimonopoly Service of the Russian Federation. In addition, the Procurement Unit systematically monitors legislation of the Russian Federation, judicial practice and the practice of the Federal Antimonopoly Service of the Russian Federation in the area of procurement in order to eliminate and minimise the risks that customers may violate the laws. It is planned that nine employees of the Procurement Unit will receive training in 2020.

The programme specifies that it is necessary to raise the level of digitalisation in procurement through the introduction of the VEB.RF procurement management information system, whereby:

- a common information environment is created for procurement management;
- the processes of formulating and approving the Purchase Plan are automated;
- a base of standard documents (documents, contracts) is created for use in the procurement process, and contracts are prepared in a contract forms designer.

The share of competitive purchases increased by 2% in 2019 on 2018 (106 in 2018; 108 in 2019).

The environmental characteristics of goods in procurement procedures are defined in terms of reference (as annexes to draft contracts) in accordance with the legal requirements of the Russian Federation.

The VEB.RF procurement policy provides preferential terms to small and medium-sized enterprises. The interaction rules for VEB.RF divisions' procurement contain a list of goods, work and services purchased from SMEs. In addition, procurement notices and/or documents do not establish specific requirements for small and medium-sized enterprises. An exhaustive list of documents is specified for bids submitted by SMEs. Some redundant bureaucratic requirements were eliminated. Additionally, notices and/or documents about competitive purchases give priority to Russian-made products in accordance with Resolution of the Government of the Russian Federation No. 925 of 16 September 2016 "On the Priority of Goods of Russian Origin and Work and Services Performed by Russian Persons over Goods of Foreign Origin and Work and Services Performed by Foreign Persons".

In 2019, VEB.RF was among the leaders of the National Procurement Transparency Rating for the fifth consecutive year by receiving the award "High Transparency".

Procurement in 2019

VEB.RF

Share of competitive procedures in total procurement: **49.54%**
(**26.8%** of purchases)

Share of purchases from SMEs in total procurement: **24.22%**

Share of purchases from local (Russian) suppliers in total procurement: **96.60%**

Group's total (VEB.RF and VEB.RF entities)

Share of competitive procedures in total procurement: **26.16%**

Share of purchases from SMEs in total procurement: **34.65%**

Share of purchases from local (Russian) suppliers in total procurement:* **97.06%**

Share of Bank BelVEB's purchases from local (Belarusian) suppliers in total procurement: **100%**

* Excluding Bank BelVEB

Administrative Practices

VEB.RF strives to make the workplace as environmentally friendly as possible. VEB.RF carries out a plan to provide green spaces for the workplace. The coffee points use eco-friendly disposable tableware that does not contain harmful or toxic substances adversely affecting health and that is completely biodegradable.

In order to create the most comfortable working conditions and a safe atmosphere, the VEB.RF office in Vozdvizhenka Street is provided with Tion Eco, a modern, high-technology, energy-efficient bactericidal system for comprehensive air purification and disinfection.



The bactericidal system is:



always clean air – the system effectively removes dust, allergens, gases and odours



protection against viruses – the system prevents microorganisms from entering the rooms



protection against allergies – the air purification level meets medical standards



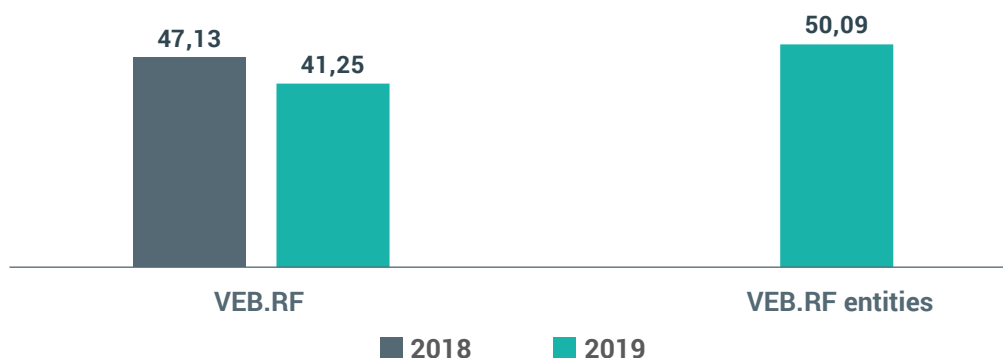
In their administrative practices, VEB.RF and VEB.RF entities are committed to reducing resource consumption and streamlining the process of waste disposal.

Resource Consumption and Recycling³⁰

PAPER BOUGHT

t

VEB.RF and VEB.RF entities bought 91.34 tonnes of paper in 2019



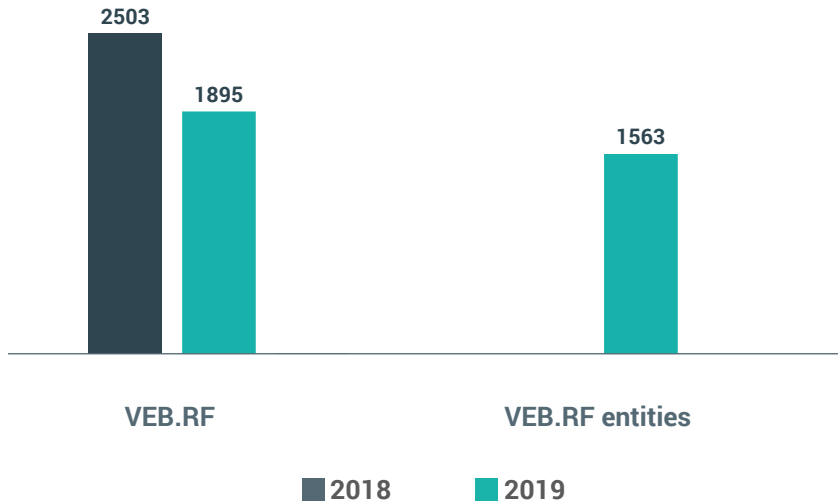
³⁰ The quantity of materials used is not substantially different from the quantity of materials bought.

In 2019, VEB.RF was able to significantly reduce paper and printer cartridge consumption through extensive adoption of electronic document management.

CARTRIDGES BOUGHT

pcs

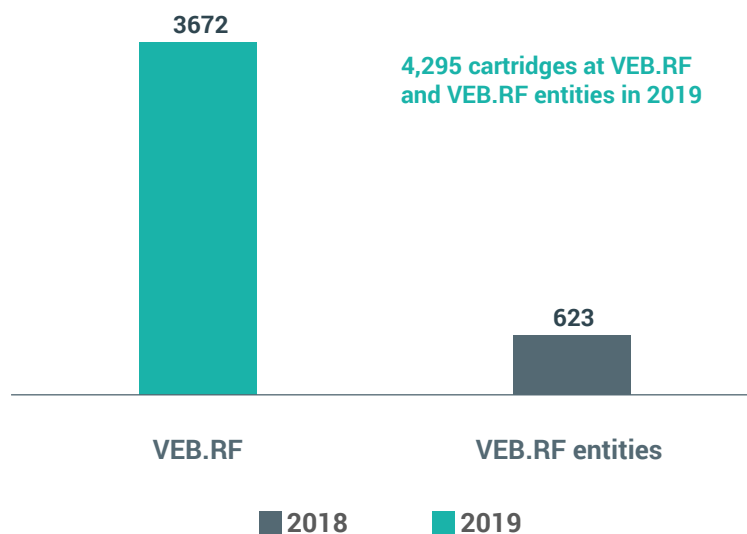
VEB.RF and VEB.RF entities bought 3,458 cartridges in 2019



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.

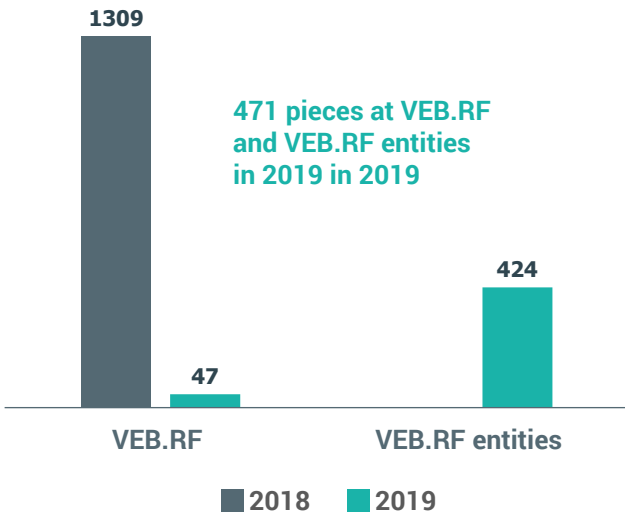
CARTRIDGES USED

pcs



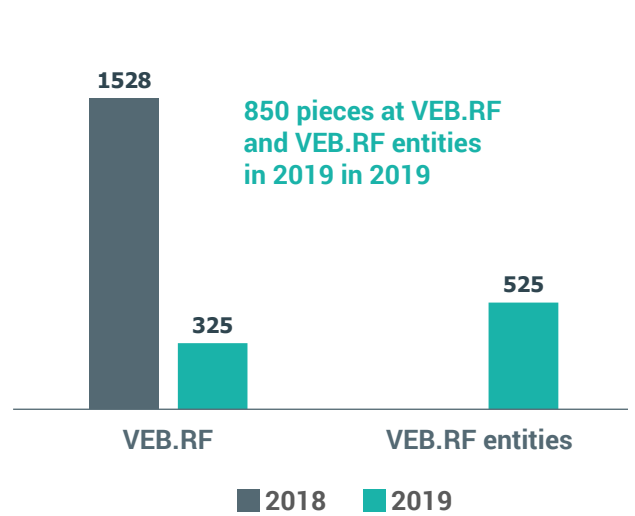
COMPUTER EQUIPMENT BOUGHT

pcs



COMPUTER EQUIPMENT TAKEN OUT OF SERVICE

pcs

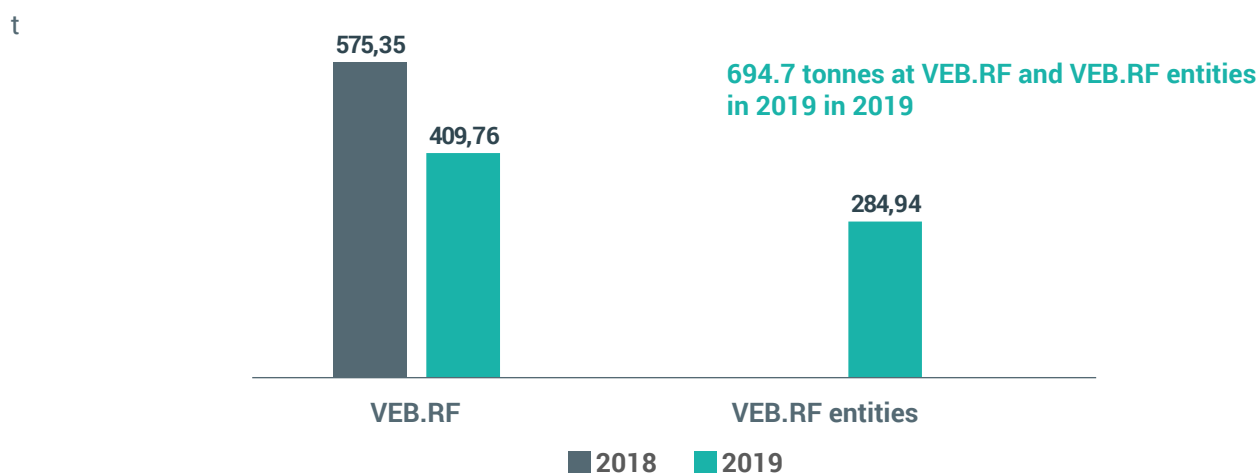


In 2019, VEB.RF switched over to separate waste collection and recycling.



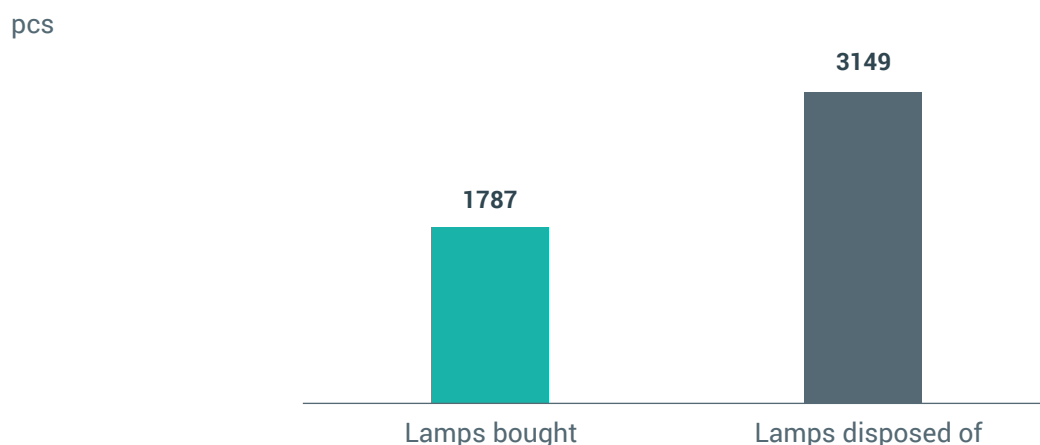
All types of waste from VEB.RF's business operations are delivered to specialist organisations duly licenced to recycle and/or dispose of waste on a municipal solid waste site or to the lessor to determine the waste disposal method.

MUNICIPAL SOLID WASTE GENERATED



In lighting, preference is given to energy efficient and the environmentally safest lamps (mostly LED). Fluorescent lamps are delivered as Hazard Class 1 waste to a specialist organisation or to the lessor to determine the waste disposal method.

MERCURY-CONTAINING LAMPS BOUGHT AND DISPOSED OF IN VEB.RF ENTITIES



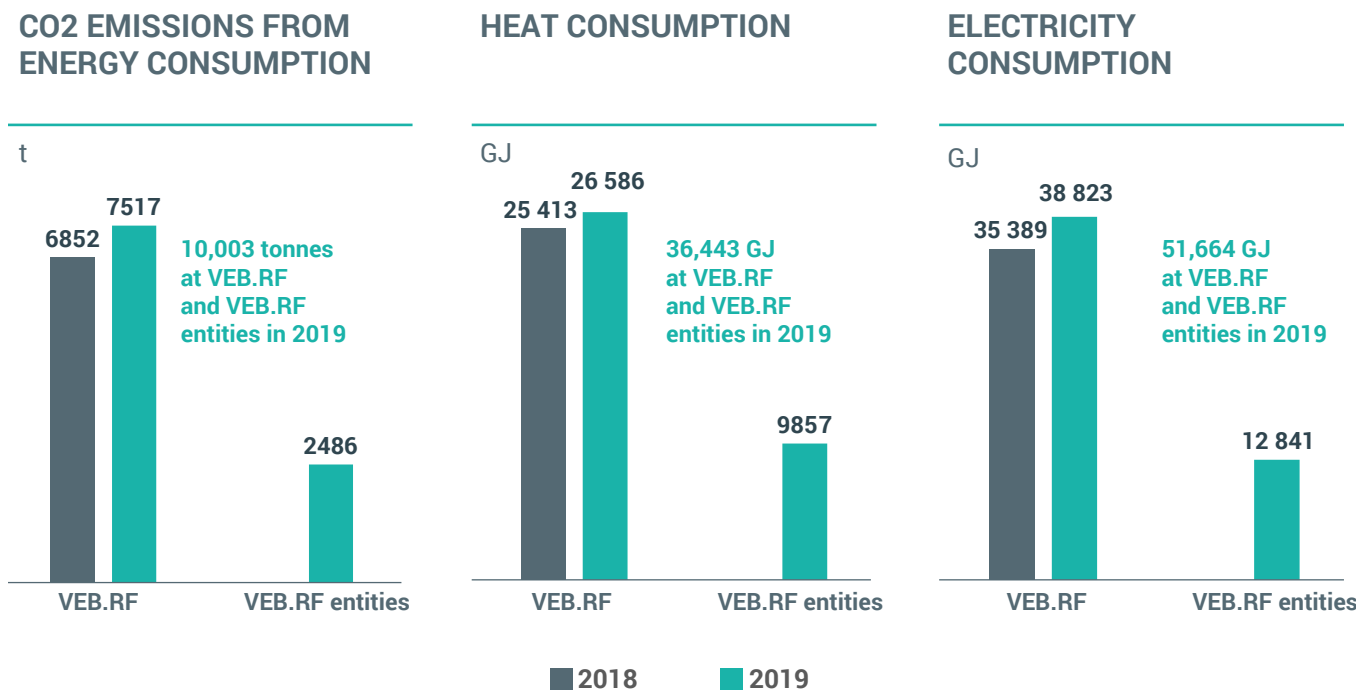
Total waste generated in 2019 by hazard class and disposal method

Extremely hazardous (Hazard Class I)	
Mercury-containing waste (fluorescent lamps, pcs)*	3149
Moderately hazardous (Hazard Class III)	
Cartridges used (pcs)*	4295
Low hazardous (Hazard Class IV)	
Municipal solid waste (t)	694,70
Computers (pcs)*	850
Almost non-hazardous (Hazard Class V)	
Waste paper (t)	49,95

* Not expressed in tonnes

Energy Consumption³¹

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.



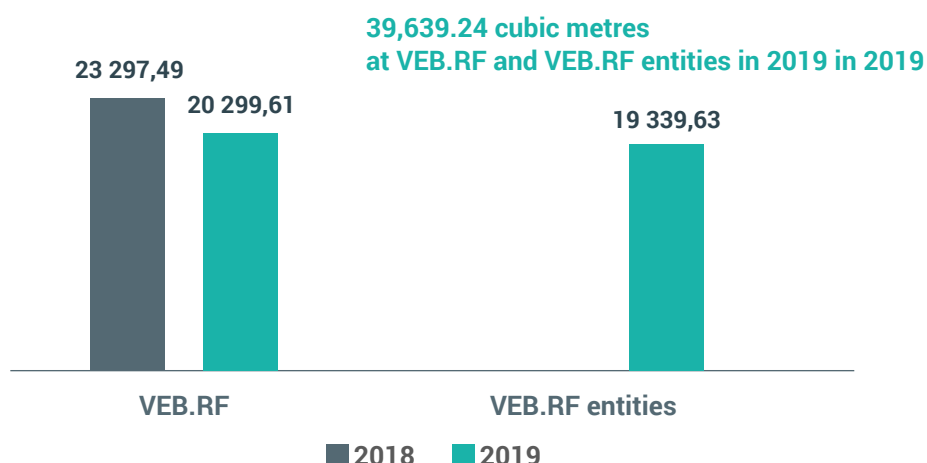
Water Consumption

All water consumed by VEB.RF and VEB.RF entities is supplied by public water supply systems. 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.

³¹ 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). Heat and electricity consumption is in Gcal and kWh respectively; conversion into GJ uses the following formulas: 1GJ = 1kWh*0.0036 and 1GJ = 1Gcal*4.1868. Heat and electricity consumption is calculated according to metering devices for owned offices; for rented offices, information is specified according to the lessor (if available).

WATER CONSUMPTION

cu m



Bottled drinking water consumed by VEB.RF entities in 2019 totalled 238,616.70 litres.

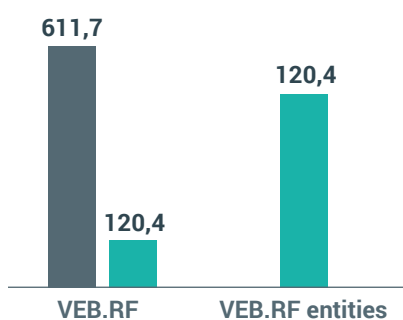
Use of Corporate Vehicles³²

In 2019, we continued to implement initiatives to reduce emissions from corporate vehicles. The mileage of VEB.RF's corporate vehicles was much lower than in 2018 due to the organisational and administrative activities, a decrease in official trips, and a reduction in downtime.

CO2 EMISSIONS FROM CORPORATE VEHICLES

t*

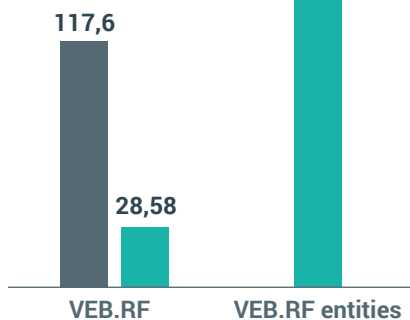
610.91 tonnes at VEB.RF and VEB.RF entities in 2019



PETROL CONSUMPTION

kL

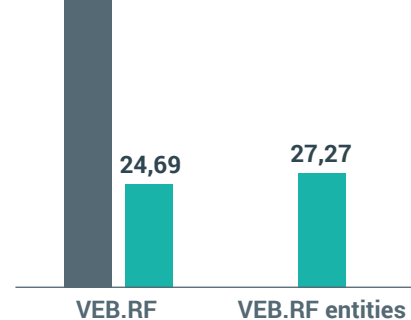
199,870 litres at VEB.RF and VEB.RF entities in 2019



DIESEL FUEL CONSUMPTION

kL

51,960 litres at VEB.RF and VEB.RF entities in 2019



* CO2 emissions from corporate vehicles in 2018 are adjusted for petrol emissions. The 2018 non-financial report specifies CO2 emissions from the use of diesel fuel (501 tonnes for the Group). Total CO2 emissions from corporate vehicles in 2018 for the Group were 2,799.17 tonnes.

³² 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)

Total motor fuel consumed by VEB.RF and VEB.RF entities in 2019 was 8,438 GJ.

Total energy (electricity, heat and motor fuel) consumed by VEB.RF and VEB.RF entities in 2019 was 95,545 GJ.

Environmental Expenses

VEB.RF entities' environmental expenses in 2019 totalled RUB560,300 (MSW disposal, paper and waste paper recycling, cartridge recycling).





VEB.PEOPLE



VEB.PEOPLE

Human Resource Development

The processes of VEB.RF's transformation in 2019 in connection with the approval of the new business models required to change the organisational structure accordingly with the aim of meeting the new ambitious objectives of VEB.RF.



VEB.RF is becoming a compact, highly professional organisation, an instrument for achieving the national development goals set by the Russian President.

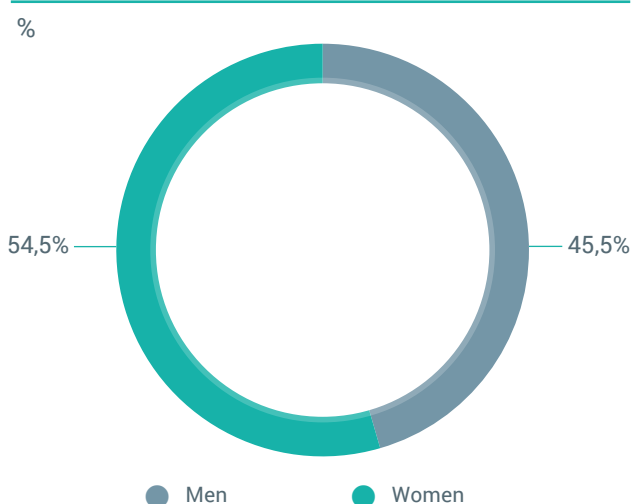
In June 2019, at VEB.RF and at three VEB.RF entities—VEB Service, VEB Capital and VEB-Leasing—organisational and staffing measures were implemented in relation to downsizing. Key employees of these subsidiaries were transferred to VEB.RF in specific functional areas, which necessitated an increase in the maximum staff of VEB.RF.

As resolved by the Board of VEB.RF on 25 March 2019 (Minutes of the Meeting No. 22), approval was given to the organisational structure of VEB.RF, effective from 1 May 2019, and the maximum staff of VEB.RF.

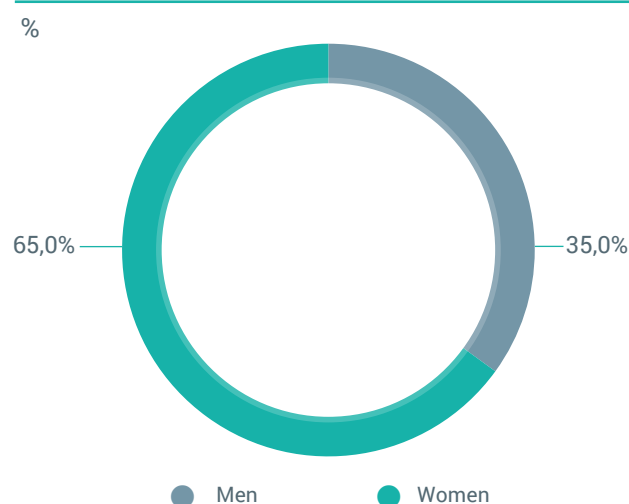
As resolved by the Board of VEB.RF on 27 May 2019. (Minutes of the Meeting No. 42), approval was given to the maximum staff of VEB.RF, effective from 1 June 2019, in Moscow and Voronezh.

PERSONNEL BY GENDER*

VEB.RF



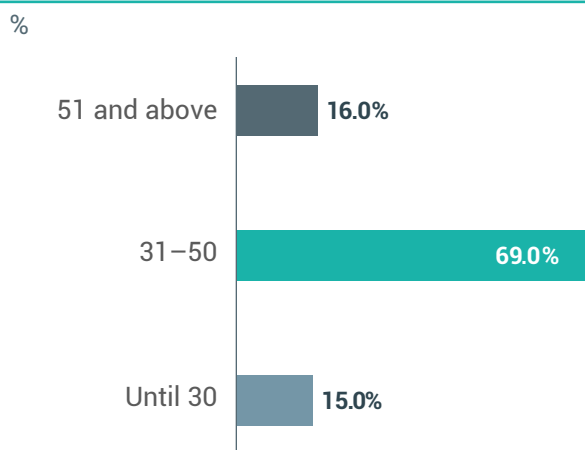
VEB.RF ENTITIES



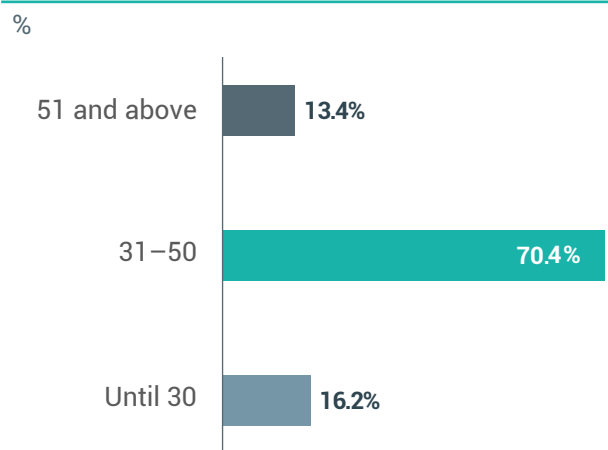
* Total number of employees as at 31.12.2019:
 VEB.RF: 1,691
 VEB.RF entities: 2,493

PERSONNEL BY AGE*

VEB.RF



VEB.RF ENTITIES



* In 2019, no significant changes were made to the structure of VEB.RF's or VEB.RF's entities' personnel as compared with 2018.

The optimisation of the organisational structure and staff of VEB Service, VEB Capital and VEB-Leasing was accompanied by the integration of some functions of these subsidiaries into VEB.RF with the aim of consolidating business processes, centralising homogeneous functions and reducing costs at VEB.RF entities.

"Our organisation has everything to make it successful: a clean balance sheet, capital, a professional team. We are faced with ambitious and interesting tasks. What do we need to show the result that is expected by the President, Government, and society as a whole? We need to get rid of all partitions within the team. Turn on the internal generator. Look wider at the scope of your work. Look for new opportunities, invent, create. Collaborate, get advice, and help colleagues. If so, we'll make it."

Igor Shuvalov
Chairman, VEB.RF

Another important initiative in 2019 was the decision to transfer certain functions of VEB.RF to a common service centre for development institutions in Voronezh.

The service centre set up by DOM.RF is able to take on such functions of development institutions as banking, transaction and cash support, support for the mortgage business, call centre, IT, and finance.

The transfer of transaction support functions to the regions is common practice among large Russian companies, including banks and non-financial institutions. While choosing the location for the service centre, DOM.RF used several criteria, and in all respects Voronezh took the leading position.

To transfer transaction functions to the service centre, an agreement was signed between VEB.RF and Bank DOM.RF for transaction services provided to VEB.RF in various functional areas.

As part of the project in 2019, processes and typical operations and functions of VEB.RF were described and identified, the service centre's personnel were selected and trained, Service Level Agreements were prepared and signed, specific functions were transferred.

"It is important to see in colleagues from the service centre not processes, but people. We must share our corporate culture and take the best from the service centre's practices."

Igor Shuvalov
Chairman, VEB.RF

Expected effects of the transfer of functions to the service centre:

- **increasing the controllability and manageability of the processes transferred to the service centre through centralisation and the use of uniform corporate methodologies and policies;**
- **improving the quality and customer focus of services provided by the support units;**
- **reducing costs of the support processes transferred to the service centre under a comprehensive optimisation programme using all suitable tools.**



Personnel Training, Development and Evaluation

The approaches to VEB.RF's personnel training and development are determined by the need to reach and maintain a high level of competency and expertise, meeting the requirements for the post or position.



VEB.RF's personnel training system is governed by Order No. 261 of 1 April 2015 "On the Approval of Vnesheconombank's Personnel Training".

VEB.RF employees could participate in corporate group training events and receive training under individual programmes aimed at improving their professional level in connection with changes in their functions.

The activities of the Training Class in 2019 were terminated because its services related to improving the level of computer literacy were not used.

Corporate training programmes in 2019 VEB.RF

- **Economy and urban development:**
special programme covering one of the key activities of VEB.RF and coordinated development institutions
Number of trainees: 44 employees, plus VEB.RF executives
- **Topical issues of AML/CFT activities of banks as professional securities market participants:**
obligatory CML/FT & Proliferation programme for specific employees of VEB.RF as a professional securities market participant
Number of trainees: 21 employees
- **Procurement skills improvement programme (Russian Presidential Academy of National Economy and Public Administration):**
training for procurement employees in connection with VEB.RF's staffing measures and changes in the regulatory framework for procurement
Number of trainees: 21 employees
- **Training and testing of employees' knowledge of occupational safety**
Number of trainees: 23 executives (onsite training), 940 employees (online training)
- Annual training for drivers of transport organisations:
Number of trainees: 16 drivers

Training at VEB.RF and VEB.RF entities in 2019

VEB.RF

VEB.RF entities

Total training expenses:

RUB3.8mn*

(RUB13.7mn in 2018)

Number of employees trained: **291***

(about 1,034 in 2018)

Total training expenses:

RUB29.3mn

(RUB28mn in 2018)

Number of employees trained: **9,519**

(about 9,000 in 2017)

* Training expenses and the number of employees trained decreased considerably due to the significant transformation of VEB.RF's organisational structure

Average number of training hours per employee

VEB.RF

VEB.RF entities

VEB.RF Group

Executives: 8,1

(9,52 in 2018)

Men: **3,92**

Women: **14,28**

Specialists: 3,2

(8,39 in 2018)

Men: **2,54**

Women: **3,54**

—

Executives: 32,55

(15,82 in 2018)

Men: **28,24**

Women: **38,58**

Specialists: 17,85

(12,15 in 2018)

Men: **18,31**

Women: **17,66**

Technicians: 3,11

(3,93 in 2018)

Men: **0,00**

Women: **20,25**

Executives: 18,25

(14,70 in 2018)

Men: **13,86**

Women: **24,62**

Specialists: 12,82

(11,86 in 2018)

Men: **12,10**

Women: **13,14**

Technicians: 2,38

(3,93 in 2018)

Men: **0,00**

Women: **20,25**

Average number of training hours per employee*

REC Group	Bank BelVEB	VEB Engineering
Executives: 24,69 (13,12 in 2018)	Executives: 36,38 (23,30 in 2018)	Executives: 20,62 (5,18 in 2018)
Specialists: 15,40 (9,42 in 2018)	Specialists: 19,98 (14,57 in 2018)	Specialists: 21,68 (6,13 in 2018)
<hr/>		
VEB Innovations (VEB Ventures)	FEDF	InfraVEB
Executives: 52,69 (0 in 2018)	Executives: 10,22 (15,59 in 2018)	Executives: 30,27 2,43 in 2018)
Specialists: 34,47 (7,00 in 2018)	Specialists: 7,71 (32,25 in 2018)	Specialists: 14,21 (7,80 in 2018)
Technicians: 40,5 (33,57 in 2018)		

**VEB.RF Group's average training hours per employee: 14.06
(12.35 in the case of men and 15.17 in the case of women)**

* MONOTOWNS.RF employees did not receive training in 2019

At most of VEB.RF's entities included in the boundaries of the Report, the average number of training hours per employee increased considerably in 2019 compared with 2018. This was due to the extensive transformation of the entire group, changes in the organisational structure and functions, the updating of strategic objectives that resulted in new requirements for personal and professional competencies of VEB.RF entities' employees.

Personnel training and development was notably developed within the REC Group. In 2019, the organisation carried out the following measures:

- formulating a programme for experts of the REC Group;
- launching the REC Group's corporate library relating to general corporate and professional competencies;
- approving the regulations on personnel training and development for Russian Export Center, taking into account the introduction of the REC Group's competency model;
- formulating a training plan for the REC Group's employees for 2019;
- evaluating key employees of the REC Group (200 people);
- organising a round table on the export of educational services as part of the Made in Russia Forum.

Training programmes in 2019 REC Group

Corporate training programmes

- **IFRS 9 and IFRS 17:**
PwC Academy training programme
Number of trainees: **33 employees**
- **Financial and economic analysis:**
EY Academy online training courses
Number of trainees: **217 employees**
- **Over 35 in-house training programmes, including:**
 - workshops on design thinking, bargaining, Microsoft Excel skills etc
 - strategic sessions, including Sectoral Development Strategies and Plans for Exported Services
 - expert session on REC's Exporter Navigator and analytical tools
- **English language teaching programme:**
(group courses for all employees and individual courses for executives)

Individual training programmes

Over 120 orders were filled in relation to improving specific professional competencies of the REC Group's employees. Employees received training from licensed institutions such as: *MGIMO, Higher School of Economics, Plekhanov Russian University of Economics, EY Academy, PwC Academy, BusinessSchoolConsultant, Moscow School of Management SKOLKOVO, Sberbank Corporate University, Legal Institute M-LOGOS, Institute of Modern Banking, Bauman Moscow State Technical University*

Training aimed at increasing employability at VEB.RF and VEB.RF entities

	2019	2018
Personal competencies	1000 people	1024 people
Foreign languages	53 people	80 people
Computer literacy	176 people	218 people
Higher education	5 people (including 1 MBA)	2 people

Assistance to employees dismissed under the redundancy programmes of VEB.RF and VEB.RF entities

	2019
Job search assistance (CV evaluation etc)	189 people
Individual advice	173 people

Induction programmes for new employees

VEB.RF

- VEB.RF's extranet and intranet contain information for new employees about corporate life: senior managers, strategies, payroll card schemes, dress code recommendations, insurance, IT and HR support contacts
- VEB.RF started in 2019 to develop a new induction process that will include induction courses, incentivising media, recommended guidelines for new employees' supervisors and mentors

REC Group

- REC developed and launched a programme of welcome seminars for new employees

In accordance with the regulations for evaluating VEB.RF employees, approved by VEB.RF's Board (Minutes of the Meeting No. 160 of 20 June 2017, as amended), VEB.RF employees are evaluated on a regular basis to measure their performance in the reporting period and determine short-term bonuses.

VEB.RF's employees who underwent official performance evaluation for career development purposes in 2019 based on their results in 2018 accounted for 46.4%.

In order to incentivise employees who made a great personal contribution to the development and performance of VEB.RF in 2019, the following awards were granted:

- Excellent Service at VEB.RF: **30 employees of VEB.RF** (VEB.RF's Orders No. 80 of 4 July 2019 and No. 208 of 19 December 2019);
- Stolypin Medal, Class II: **2 employees of VEB.RF**; and Letter of Honour from the Government of the Russian Federation and Commendation from the Government of the Russian Federation: **10 employees of VEB.RF** (Ordinance of the Government of the Russian Federation No. 2957-r of 9 December 2019 for a contribution to financial and banking activities aimed at achieving the strategic goals of the country's socio-economic development);
- Letter of Honour from VEB.RF's Chairman: **10 employees VEB.RF** and **2 employees of subsidiaries** (VEB.RF's Order No. 208 of 19 December 2019).



VEB.RF entities' employees who underwent official performance evaluation for career development purposes in 2019 based on their results in 2018 accounted for 21.6%. The results of employee evaluation were used to determine annual bonuses and take personnel decisions (transfer to another position, revision of the fixed part of pay, inclusion in the personnel reserve etc), develop individual development plans etc.

Social Programmes for Employees

VEB.RF's social policy approved by the Board of VEB.RF is aimed at implementing specific measures of social support for VEB.RF employees, including former employees (pensioners are members of VEB.RF's Council of Long-Service Employees).

In 2019, VEB.RF launched a special programme, Health and Well-being of VEB.RF Employees, aimed at creating corporate culture of maintaining the health and well-being of employees, increasing employee awareness of health issues, and reducing the disease rate.

The programme included creating a special section, VEB.Health, on the corporate website; the name and logo of the programme were chosen by employees by poll.



2019 saw corporate educational events and lectures: nutritionist advice, prevention of colds, advanced stress management. In addition, employees underwent cancer screening tests (125 people), vitamin D tests (60 people) and on-site eye examinations (42 people).

Medical examinations of employees are conducted in accordance with Order of the Ministry of Health and Social Development of the Russian Federation No. 302n of 12 April 2011 "On the Approval of Lists of Harmful and/or Hazardous Production Factors and Work That Require Preliminary and Periodic Medical Examinations (Inspections) and on the Approval of the Procedure for Mandatory Preliminary and Periodic Medical Examinations (Inspections) of Workers Employed for Heavy Work and Work in Harmful and/or Hazardous Working Conditions".

VEB.RF's offices in Akademik Sakharov Avenue and Vozdvizhenka Street have medical rooms where employees can receive first aid, health advice, disposable face masks and vitamin pills. Expenses associated with medical examinations and purchased medications in 2019 totalled RUB39,790 and RUB360,575 respectively.

In 2019, VEB.RF's corporate medical rooms received 3,600 requests for first aid from employees.

The voluntary health insurance agreement provides for influenza vaccination for VEB.RF employees. 502 employees were vaccinated with Ultrix and Influvac against influenza in 2019.

Due to the difficult epidemiological situation in the world, in order to preserve the income of employees during their period of temporary disability, VEB.RF's Board resolved to add up to 100% of the salary to sick pay (up to 14 working days a year).

Under the corporate voluntary health insurance plan, VEB.RF employees can have a complete medical examination for the early detection of diseases, disease risks and abnormalities that can indirectly cause diseases.

In 2020, taking into account the results of medical examinations and the risk of chronic diseases, the level of stress and awareness of employees, there are plans to adjust the current programme and bring into use a comprehensive solution to preserve the health and well-being of VEB.RF employees. Additionally, following a survey of employees, it was decided to organise a corporate fitness centre at the VEB.RF office in Vozdvizhenka Street.

VEB.RF's social programmes in 2019*

Voluntary health insurance

Total expenses: **RUB96.1mn**

(RUB194.5mn in 2018)

Annual limit of expenses per employee:

RUB41,300 (RUB43,000 in 2018)

Insured: **2,103 people**

(1,681 in 2018), including 1,400 employees, 230 children, and 473 people with personal insurance expenses

Maternity**

Total expenses: **RUB43.9mn**

(RUB46.6mn in 2018)

Under the Prenatal Care and Obstetric Aid scheme: **333 employees**

(270 in 2018)

Insurance

Insurance for employees working outside the permanent place of residence: **1,443 employees** (535 in 2018)

Sports

Special membership fees of large fitness clubs: **314 employees** (309 in 2018)

* Voluntary health insurance, insurance for employees working outside the permanent place of residence, and maternity aid do not apply to part-time employees (external part-timers).

** In addition to prenatal care and obstetric aid, the scheme includes maternity aid, maternity leave and voluntary health insurance for employees' children.

VEB.RF entities' social programmes in 2019*

Voluntary health insurance**Total expenses: **RUB71.5mn**

(RUB176.9mn in 2018)

Annual limit of expenses per employee:

RUB30,000 to RUB130,200

(RUB33,700 to RUB210,000 in 2018)

Insured: **2,956 people** (5,891 in 2018), including 43 children, 9 family members, and 44 people with personal insurance expenses**Maternity**Total expenses: **RUB9.6mn**

(RUB51.6mn in 2018)

Under the programmes: **875 employees**

(1,248 in 2018)

InsuranceTotal expenses: **RUB70,000**

(RUB289,600 in 2018)

Insured: **34 employees**

(1,086 in 2018)

Sports***Total expenses: **RUB6.1mn**

(RUB16.1mn in 2018)

Participants in sports events:

62 employees

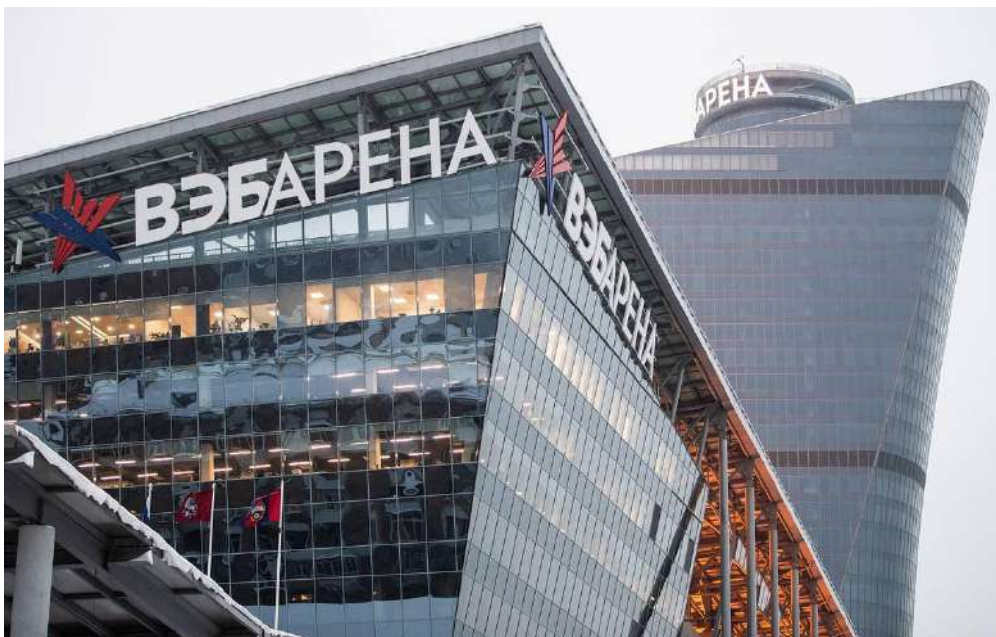
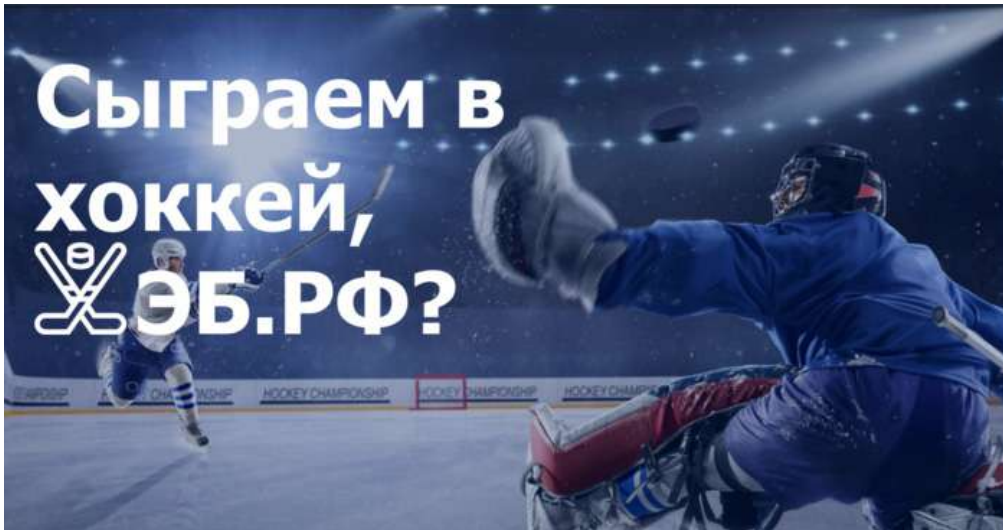
(488 in 2018)

* A substantial decrease in expenses under the plans and in the number of employees who used them as against 2018 was due to VEB.RF entities excluded from the boundaries of this Report (VEB Capital, Svyaz-Bank, VEB Service, VEB-Leasing, VEB Innovations Fund, Prominvestbank) in comparison with the 2018 report.

** The voluntary health insurance plans do not apply to part-time employees of VEB Engineering, FEDF, InfraVEB.

*** Including training for corporate sports teams (ice hockey, football, volleyball)





VEB.RF offers two pension plans: Individual Pension Plan (IPP) and Pay-as-YOU-Go Pension Plan (PAYGP). The IPP uses a pension scheme with fixed pension contributions and monthly payments until all the funds in the participant's personal pension account are used. The PAYGP is in accordance with a pay-as-you-go pension scheme with fixed pension contributions and payment of a private pension on a monthly basis for term of life or until all the funds in the participant's personal pension account are used. Under the PAYGP, for additional reasons, a personal pension may be approved in a specific monthly amount.

VEB.RF's pension plans in 2019

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 2019, **1,999 people** had individual pension plans (1,940 in 2018)
- A private pension averaged **RUB23,368** (RUB22,627 in 2018)
- VEB.RF's expenses: **RUB157.3mn** (RUB313.4mn in 2018)

Pay-as-you-go pension plan

The pension plan for members of VEB.RF's Council of Long-Service Employees operates under the private pension coverage agreement with Vnesheconomfond.

- At the end of 2019, **532 people** had pay-as-you-go pension plans (523 in 2018)
- A private pension averaged **RUB15,698** (RUB15,622 in 2018)

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). To qualify for insurance cover, employees should reach retirement age and have at least three years of employment with Bank BelVEB.

- Bank BelVEB's expenses: **RUB15mn** (RUB39.8mn in 2018)
- At the end of 2019, **221 people** had pension plans (307 in 2018)
- A private pension averaged **RUB5,678.7** (RUB10,803.5 in 2018)

Financial assistance to Bank BelVEB's retirees*

Assistance is provided in accordance with the regulations for financial assistance to retirees as approved by the supervisory board of Bank BelVEB in 2010.

- Bank BelVEB's expenses: **RUB34.9mn** (RUB43.4mn in 2018)
- At the end of 2019, **439 retirees** were eligible for financial assistance (416 in 2018)
- A private pension averaged **RUB6,628** (RUB8,691.8 in 2018)

* Expenses and pensions are in Russian roubles.

Despite the absence of statutory requirements for social guarantees for employees of pre-retirement and retirement age, VEB.RF takes all possible measures to improve the social protection of such categories of employees.

To provide social and financial assistance to former employees, VEB.RF established a permanent public body, VEB.RF's Council of Long-Service Employees.

The Council of Long-Service Employees operates under the regulations approved on 1 August 2018. The list of social support measures and benefits provided to VEB.RF's former employees who are members of the Council of Long-Service Employees is set forth in social policy and VEB.RF's Order No. 663 of 21 August 2018 "On the Approval of the Regulations for Benefits to Members of VEB.RF's Council of Long-Service Employees" (as amended).

Assistance to members of VEB.RF's Council of Long-Service Employees in 2019

- Voluntary health insurance**
 Under pensioner insurance contracts, VEB.RF pays for voluntary health insurance schemes for members of VEB.RF's Council of Long-Service Employees, including outpatient care, emergency medical services and scheduled and emergency hospital services
- Financial assistance to WWII veterans**
 In accordance with VEB.RF's Order No. 14-K of 8 May 2019, 25 veterans of the Great Patriotic War, homefront workers and veterans of combat operations abroad, who are members of VEB.RF's Council of Long-Service Employees, each received RUB5,000 in financial assistance on the occasion of Victory Day
- Financial assistance for medications**
 In accordance with VEB.RF's Order No. 17k of 12 December 2019, 485 former employees, who are members of VEB.RF's Council of Long-Service Employees, each received RUB30,000 in one-off financial assistance as partial reimbursement for their expenses related to necessary medications and healthcare products

Occupational Safety and Respect for Employee Rights

VEB.RF and VEB.RF entities operate in strict compliance with the Russian occupational health and safety laws.

VEB.RF entities ran a special assessment of working conditions at 115 workplaces.

The majority of VEB.RF entities arranged introduction and scheduled briefings and occupational safety knowledge tests for their employees.



Overall, 3,769 employees of VEB.RF and VEB.RF entities took part in occupational safety training in 2019.

No occupational diseases were registered at the VEB.RF Group in 2019.³³

In 2019, VEB.RF incurred one minor one-the-job injury. The cause was the injured person's personal negligence. The injury was recognised by the Social Insurance Fund. Additionally, an internal investigation was carried out.

76% of employees of VEB.RF and VEB.RF entities are covered by the collective bargaining agreement.

The relationship between VEB.RF and the trade union as related to respect for employees' rights is governed by:

- Collective bargaining agreement for the period from 28 June 2019 to 27 June 2022,
- Agreement of 26 June 2019 for the interaction between the employer and the primary trade union organisation in the planning, organisation and financing of cultural, sports, recreational and other events for VEB.RF employees.

Members of the VEB.RF trade union are entitled to partial reimbursement for expenses under contracts with companies providing services in relation to recreation and sports, one-time financial assistance, preferential conditions for participation in cultural events.

The trade union participates in negotiations between the employer and employees as related to the optimisation of VEB.RF's organisational structure and deals with applications and requests of employees.

No incidents of discrimination on the grounds of gender, religion or otherwise were identified within VEB.RF or VEB.RF entities in 2019. There were no collective employment disputes.

Four individual employment disputes (three within VEB.RF and one within Bank BelVEB) were considered in court. The court ruled that the claims against VEB.RF (recovery of unpaid wages, collection of bonuses for 2015, invalidation of an order related to disciplinary responsibility) should be rejected. The claims against Bank BelVEB (reinstatement, recovery average wages for forced absence from work and financial compensation for psychological damage) were admitted.

Corporate Culture

Internal Communications

To formulate the basic principles of management and governance in specific areas of its activities, VEB.RF approved Order No. 81 of 11 July 2019 "On the General Rules of Communication, the System and Structure of Functional Units and Officers of VEB.RF".



³³ Information on the occupational injury rate, occupational injury ratio and occupational disease ratio VEB.RF and VEB.RF is contained in Appendix 8.

In 2019, VEB.RF worked with Bain & Company on the project to introduce a new operating model and corporate culture. The project involved 14 cross-functional communication events for employees of various units and VEB.RF management (about 45% of VEB.RF's staff). Under the project, a seminar was held with the development institutions coordinated by VEB.RF (RSMB Corporation, DOM.RF and REC); the participants shared experience and set medium-term goals for further coordination.

We optimised the organisational structure, hired new people with unique experience and competencies. Most team members now work in an open plan office area, which enables them to efficiently communicate with each other and ensures quick decision-making.

One of the main tools that helps to improve the structure of corporate information and organise information exchange within the VEB.RF team for more efficient work became short surveys on the corporate website.



ПУЛЬС ОПРОС

One of the surveys enabled VEB.RF employees to make the following comments on positive changes in the internal communication environment:

- "The level of transparency and trust has become higher"
- "There is more horizontal communication in the workplace"
- "Bureaucratic obstacles have decreased"
- "Problems are resolved by mail faster; the committees work better"
- "Care for employees: interesting seminars (medicine, China), English lessons, useful recommendations after employee evaluation"
- "Enhanced horizontal communication; delegation of authority in some departments"
- "We've become closer to a united team!"

"A regular survey allows us to promptly identify the team's sentiment, find problem areas and deal with them. Our joint task is to ensure the availability of information for work, effective communication with colleagues and decision-making."

Andrei Samokhin
Senior Vice-President, VEB.RF



Corporate Campaigns and Events

The Random Coffee campaign enabled VEB.RF employees to know better about each other, about the activities of various functional units. During the campaign, each employee could meet with a colleague, who was

automatically selected at random, and over a cup of coffee, talk about his or her official functions and challenges at VEB.RF, about the activities of the department.

On 5 July 2019, a regular meeting between VEB.RF's management and employees was held on the topic "What kind of organisation we are building and what kind of corporate culture are we striving for". The meeting included speeches by VEB.RF's Chairman and Deputy Chairmen and an award ceremony for employees for their personal contribution to VEB.RF's activities.



On 21 December 2019, the final annual meeting of the teams of VEB.RF, VEB.RF entities and Russian development institutions took place. The meeting discussed the year's results and strategic initiatives for 2020. The meeting ended with awards granted for a personal contribution to the organisations' activities.





The final meeting was preceded by extensive preparations: the forum designed to collect inquiries was visited by more than 30% of VEB.RF's staff daily.







APPENDICES



Appendix 1. About the Report

The Non-financial Report³⁴ of VEB.RF and VEB.RF Entities for 2019 contains information concerning their activities related to sustainable development and social responsibility and discloses key indicators of economic, social and environmental performance in 2019. The document outlines the main prospects and areas for the development of VEB.RF in the short and medium term, taking into account VEB.RF's and the national goals of development and the improvement of quality of life in Russia.

Non-financial reports have been published by VEB.RF in Russian and English on an annual basis since 2010 (the first non-financial report was Vnesheconombank's Sustainability Report 2009). Reports are posted on VEB.RF's website at <https://вэб.рф/investoram/otchetnost/otchetnost-ob-ustoychivom-razvitii/>.

The Report 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's performance in terms of adhering to the UN Global Compact's principles of human rights, labour, environmental protection and anti-corruption and achieving the UN Sustainable Development Goals.³⁵ Additionally, 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 internal regulatory document that governs the preparation of VEB.RF's non-financial reports is the Regulations for the Non-Financial Report.³⁶ In compliance with the Regulations, the Report was prepared by the Vnesheconombank Research and Expertise Institute (the "Institute") established in 2017. VEB.RF's officer supervising the Institute's operations is responsible for the Report. The Regulations specify that 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.

To ensure the quality of the Report, VEB.RF applied the principles of disclosing balanced, comparable, accurate, timely, clear and reliable information as defined by the GRI Standards.

The Report contains forward-looking statements, growth outlooks for the economic sectors in which VEB.RF and VEB.RF entities operate, and information about short-, medium- and long-term plans and intentions of VEB.RF and VEB.RF entities. The forward-looking statements, plans and intentions contained in the Report may differ from the actual results of operations in the future for numerous reasons, including certain economic, political and legal factors beyond the control of VEB.RF (global financial, economic and political situation; situation in key markets; changes in tax, customs and environmental legislation; etc).

The Non-financial Report of VEB.RF and VEB.RF Entities 2019 was audited by independent auditors, FBK Grant Thornton (Appendix 12). The Report received approval from VEB.RF's management committee (Minutes No. 13 of July 17, 2020).

³⁴ 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.

³⁵ Approved by Heads of Government, including Russia, at the UN Summit on 25 September 2015.

³⁶ Approved by VEB.RF's Order No. 203 of 17 December 2019.

Limited Assurance Engagement on Material Indicators of the Report

VEB.RF organises external assurance for a limited number of disclosures in the Report. Assurance applied to material indicators of the non-financial activities of VEB.RF and VEB.RF entities in the reporting period.

Report Boundaries

REPORT BOUNDARIES

State Development Corporation VEB.RF

REC Group:³⁷ Russian Export Center, Russian Agency for Export Credit and Investment Insurance (EXIAR), Russian Export-Import Bank (EXIMBANK OF RUSSIA)

Far East Development Fund

Monotowns Development Fund

InfraVEB

VEB Innovations (VEB Ventures)

VEB Engineering

Bank BelVEB

Compared with the previous reporting period, the following material changes were made to the report boundaries:

- this non-financial report does not disclose information about VEB Capital and VEB-Leasing because their functions were transferred to VEB.RF; the powers of the sole executive bodies of VEB Capital and VEB-Leasing were transferred to a management organisation, VEB.RF, on 25 October 2019 and 12 November 2019 respectively;
- this non-financial report does not disclose information about VEB Service because in 2019, as part of the reorganisation, a large number of VEB Service's functions were outsourced to the integrated service centre of development institutions in Voronezh;
- this non-financial report does not disclose information about Svyaz-Bank because, as resolved by the Supervisory Board, VEB.RF transferred shares in Svyaz-Bank to the Federal Agency for State Property Management of the Russian Federation in September 2019;
- this report does not disclose information about Prominvestbank or VEB Innovations because Prominvestbank and VEB Innovations did not have a significant effect on VEB.RF's core activities in 2019;

The indicators disclosed in relation to IFRS financial statements (assets, equity etc) correspond to the boundaries of IFRS financial statements (see Disclosure 102-45).

Information about resource consumption is disclosed only in respect of VEB.RF entities' branches and representative offices with 50 or more employees as at the end of 2019.

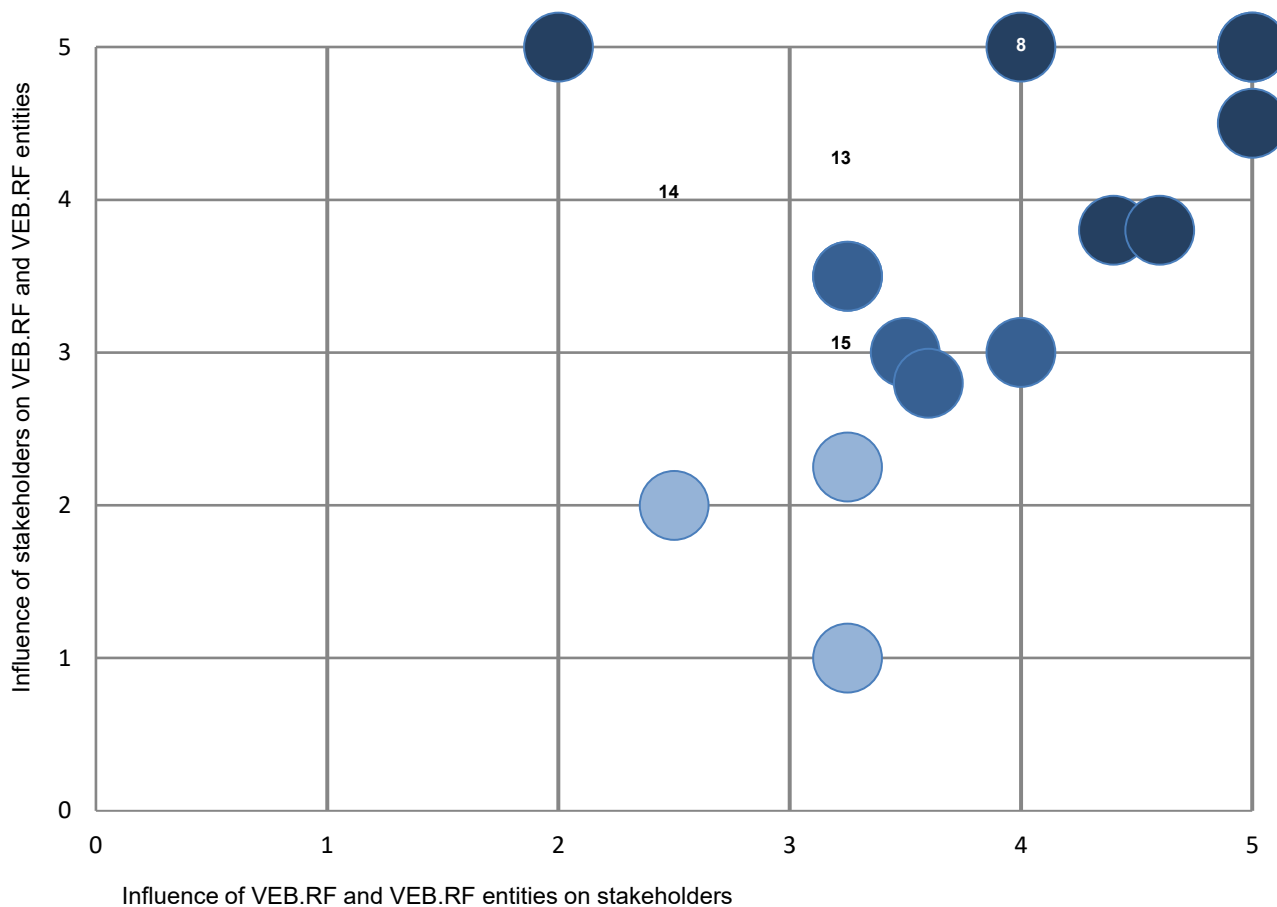
The Group-controlled entities not included in the report boundaries are not significant for disclosure purposes.

³⁷ The Report discloses consolidated information on the REC Group's activities.


Stakeholders of VEB.RF and VEB.RF Entities




In the reporting year, the ranking map of VEB.RF and VEB.RF entities stakeholders was updated based on the analysed mutual influence of stakeholders and organisations, as well as a survey of VEB.RF's executives and lead experts.

RANKING MAP OF STAKEHOLDERS OF VEB.RF AND VEB.RF ENTITIES



STAKEHOLDER GROUPS

<ol style="list-style-type: none"> 1. Government of the Russian Federation Governmental authorities 2. Management of VEB.RF entities 3. Foreign regulators 	 High priority
---	--

<p>4. Russian regulators</p> <p>5. Employees of VEB.RF and VEB.RF entities</p> <p>6. Customers and borrowers</p> <p>7. Investors and partners</p>	 High priority
<p>8. Professional and expert community, business associations</p> <p>9. Mass media</p> <p>10. Analysts, rating agencies</p> <p>11. Russian and international financial institutions</p> <p>12. Suppliers and contractors</p>	 Medium priority
<p>13. Local communities at project locations</p> <p>14. Educational and academic community</p> <p>15. Potential employees, students, schoolchildren</p>	 Low priority

HIGH- AND MEDIUM-PRIORITY STAKEHOLDER ENGAGEMENT

Stakeholder groups	Group interests	Communication channels	Events in 2019
<p>Government of the Russian Federation</p> <p>Governmental authorities</p>	<p>VEB.RF's contribution to the implementation of government policy on socio-economic development</p>	<p>Meetings of the Supervisory Board</p> <p>Meetings</p> <p>Working bodies</p>	<p>See "Corporate Governance"</p>
<p>Management of VEB.RF entities</p>	<p>Measures to ensure the fulfilment of VEB.RF entities' tasks and the effective operation of corporate governance in managerial decision-making</p>	<p>Internal advisory bodies of corporate governance</p> <p>Meetings</p>	<p>See "Corporate Governance"</p>

Foreign regulators	Compliance with international regulations in international activities	Replies to inquiries, involvement in independent audits	See "International Activities"
Russian regulators	Compliance with Russian regulations	Replies to inquiries, audits	—
Employees of VEB.RF and VEB.RF entities	Decent working conditions and equal opportunities for professional growth and development	Feedback channels (corporate website, email) enabling each employee to contact management. Internal surveys designed to assess employee opinions	See "Human Resource Development"
Customers and borrowers	Opportunities for mutually beneficial cooperation, quality of services, confidentiality	Mainly through customer relations departments, along with special events for customers	See "Supporting and Developing Single-Industry Towns (Monotowns)", "Export Support", "Developing the Investment Environment and Professional Community", Appendix 10
Investors and partners	High financial results, effective risk management system, transparency and long-term stability	Mainly through personal communication with VEB.RF. Information for investors on a special page of VEB.RF's website at https://вэб.рф/investoram/	See "International Activities" (VEB. PROJECTS)
Professional and expert community, business associations	Development of the professional environment and improvement of the investment climate	Involvement of VEB.RF and VEB.RF entities in expert events and business associations	See "International Activities", "Developing the Investment Environment and Professional Community"

Mass media	Transparency of VEB.RF и VEB.RF entities	VEB.RF and VEB.RF entities are open for communication with the media. They have media relations departments. Significant events are covered by press conferences and press releases. The VEB.RF website has a media centre at https://вэб.рф/press-tsentr/	VEB.RF and VEB.RF entities are open for communication with the media. They have media relations departments. Significant events are covered by press conferences and press releases. The VEB.RF website has a media centre at https://вэб.рф/press-tsentr/
Analysts, rating agencies	Transparency of VEB.RF и VEB.RF entities, access to performance indicators	VEB.RF and VEB.RF entities are open for communication with rating agencies and analysts. Material information is disclosed in annual and quarterly reports, non-financial reports, and on corporate websites. Staff members are always open for inquiries and questions	None
Russian and international financial institutions	Mutually beneficial cooperation under Russian and international projects	Participation of VEB.RF and VEB.RF entities in activities of international associations and events, direct interaction of VEB.RF's and VEB.RF entities' executives and experts with partner institutions, interaction in joint projects	See "Coordination of Development Institutions", "International Activities", "Developing the Investment Environment and Professional Community"

Suppliers and contractors	Compliance with business ethics, transparent procurement	VEB.RF and VEB.RF entities ensure equal access to their procurement procedures, providing equal competitive opportunities and uniform rules for all procurement participants. For each procurement process, contact persons are appointed for communication with potential suppliers. Information about all of VEB.RF's purchases is posted on www.zakupki.gov.ru and on a special page of VEB.RF's website at https://вэб.рф/zakupki/	None. See also Appendix 10
----------------------------------	--	--	-------------------------------

IDENTIFYING THE MATERIAL TOPICS OF THE REPORT

To define the content of the Non-financial Report of VEB.RF and VEB.RF Entities 2019, material topics were identified in accordance with the GRI Standards.

To identify the materiality of the economic, environmental and social impact of VEB.RF's and VEB.RF entities' activities, a survey of the functional units responsible for preparing the 2019 non-financial report was conducted.

The influence of a particular topic on the assessments and decisions of stakeholders was determined based on a survey of VEB.RF stakeholders.

According to the results of these procedures and with due consideration to opinions of VEB.RF's and VEB.RF entities' employees responsible for preparing the 2019 non-financial report, a list of topics was made, with each topic receiving the relevant status:



key material topics (based on either procedure, the average score of the topic is 4 or more);









material topics (based on either procedure, the average score of the topic is 3.6–3.9);











non-material topics (based on both procedures, the average score of the topic is 3.5 or less).










The key material topics are given maximal attention in disclosures in the report. The key material topics and material topics are disclosed in accordance with the GRI Standards (Core option). Less attention is given to non-material topics: they are disclosed to the extent necessary to apply the principle of comparability of information disclosed in reports annually and meet the interests of some stakeholders. As part of assessing the materiality of topics, experts of VEB.RF and VEB.RF entities identified the boundaries of disclosures on each topic.









RESULTS OF PROCEDURES FOR IDENTIFYING THE MATERIAL TOPICS OF THE REPORT

Topic	Results of assessing the materiality of topics ⁴⁰	Boundaries	Topic-specific GRI disclosure
Overall impact of project implementation. Contribution towards the country's economic growth and social well-being, and involvement in addressing socio-economic growth priorities of the Russian Federation (technology, drug and food security; export potential)		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 203 (2016)
Contribution to implementing Presidential Decree No. 204 of 7 May 2018		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures)	
Practical results of the coordination of development institutions		VEB.RF	
Social programmes and employee benefits, employee turnover, employee retention, employee satisfaction		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 401 (2016)
Compliance with labour, environmental protection, tax, and other applicable legislation, including laws and regulations related to services		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 307 (2016), GRI 419 (2016)
Project Financing Factory		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures)	

⁴⁰ Highest score in the following two areas: impact of VEB.RF and VEB.RF entities, influence on stakeholders.

Social impact bonds		VEB.RF	
Functions of the government-controlled management company		VEB.RF	
International cooperation		VEB.RF, REC, Bank BelVEB	
Updating of the strategies of VEB.RF entities		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Development of risk management		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Contribution towards the development of regions and local communities (support for education, healthcare, culture, sport, integrated spatial development). Assessment of the impact of VEB.RF's activities on local communities, presence in local markets		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 202, 203, 413 (2016)
Contribution towards Russian technological leadership (innovation, digitalisation, high technology and knowledge-intensive industries)		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures)	
Contribution towards the green economy, environmentally responsible manufacturing and consumption		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures)	

Respect for human rights, non-discrimination		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 406 (2016)
Occupational health and safety (occupational health programmes, promotion of healthy lifestyles, prevention of occupational injuries and diseases)		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 403 (2018)
Training and development of VEB.RF's personnel (corporate educational and upskilling programmes; duration and focus of employee training; employee evaluation programmes)		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 404 (2016)
VEB.RF's involvement in achieving the UN Sustainable Development Goals		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Introduction of responsible practices into VEB.RF's procurement policy (supplier evaluation; support for small and medium-sized enterprises)		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 204 (2016)
BRICS and SCO		VEB.RF, REC	
EAEU and CIS integration		VEB.RF, REC, InfraVEB, Bank BelVEB	
Functions of the agent for the Russian Government		VEB.RF	
Development of the Far East		FEDF	GRI 203 (2016)

Russian-Belarusian cooperation		Bank BelVEB	
Synergies of VEB.RF entities		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Investment in urban economy development projects		VEB.RF, InfraVEB, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures)	GRI 203 (2016)
Investment results and operational performance		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB The indicators disclosed in relation to IFRS financial statements (assets, equity etc) correspond to the boundaries of IFRS financial statements (see Disclosure 102-45)	GRI 201 (2016)
Relations between employees and management (openness and quality of internal communications, practice of collective bargaining, employee evaluation programmes)		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 402 (2016)
Anti-corruption practices and resolution of conflicts of interest		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 205 (2016)
Compliance with green office principles. Energy and resource conservation		VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 301 (2016), GRI 302 (2016), GRI 303 (2016), GRI 306 (2016)
Managing VEB.RF Entities		VEB.RF	

Responsibility for services (comprehensive and reliable information about services; privacy of customers and partners; customer satisfaction evaluation)	✓	VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 418 (2016), GRI 417 (2016)
VEB.RF's corporate life	✓	VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Corporate volunteering and charity	✓	VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	GRI 203 (2016)
Youth relations initiatives	✓	VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Initiatives aimed at increasing the financial literacy of customers and partners; development of the professional community	✓	VEB.RF, REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	
Overall investment in environmental protection	✓	REC, InfraVEB, VEB Engineering, FEDF, MONOTOWNS.RF, VEB Innovations (VEB Ventures), Bank BelVEB	

CONSIDERATION GIVEN TO SURVEYED STAKEHOLDERS' OPINIONS ON THE DISCLOSURE OF ADDITIONAL TOPICS

Suggested topic	Result of considering disclosing the topic in the report
Evaluation of the effectiveness of external communications and stakeholder engagement	Evaluation of the effectiveness of external communications and stakeholder engagement is carried out by responsible officers on a regular basis as part of their day-to-day activities. No uniform evaluation mechanism is used; information is not consolidated.

Information on VEB.RF's strategies and policies	Disclosed in "VEB.RF'S STRATEGIC DEVELOPMENT GOALS".
VEB.RF's portfolio structure by industry, specifying green sectors	As a government-controlled development corporation, VEB.RF structures its portfolio by industry in accordance with the rankings adopted by governmental authorities (Federal Service for State Statistics etc). Consequently, green sectors are not specified separately.
Approximate information on the well-being of regions and people and on an environmental contribution to the reduction of emissions, effluents and waste	The impact of VEB.RF's investment activities is described in "Socio-economic Impact of Projects".
International cooperation	Disclosed in "International Activities" (VEB.RF FOR SOCIETY).
Due diligence related to the SDGs	No special due diligence is conducted in respect of VEB.RF and VEB.RF entities in terms of their contribution towards the UN SDGs.
Self-assessment methods (including impact assessment)	Methods for assessing the socio-economic impact of VEB.RF's investment activities are disclosed in "Socio-economic Impact of Projects".

Appendix 2. Index of GRI Disclosures in the Report Prepared in Accordance with the GRI Standards⁴¹ the GRI Financial Services Sector Disclosures, and the Principles of the UN Global Compact⁴²

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 101: FOUNDATION 2016			
		Appendix 1	210-224
GRI 102: GENERAL DISCLOSURES 2016			
GRI 102-1 Name of the organisation		VEB.RF'S STRATEGIC DEVELOPMENT GOALS VEB.RF Entities	20, 24-26
GRI 102-2 Activities, brands, products, and services		VEB.RF'S STRATEGIC DEVELOPMENT GOALS VEB.RF Entities	20, 24-26
GRI 102-3 Location of headquarters		Appendix 14	254
GRI 102-4 Location of operations		VEB.RF'S STRATEGIC DEVELOPMENT GOALS VEB.RF Entities	20, 24-26
GRI 102-5 Ownership and legal form		VEB.RF'S STRATEGIC DEVELOPMENT GOALS VEB.RF Entities As per the Russian Classification of Property Categories, VEB.RF's legal form is OKFS 61	20, 24-26
GRI 102-6 Markets served		VEB.RF Entities VEB.PROJECTS International Activities	24-26, 32-114, 128-141
GRI 102-7 Scale of the organisation		KEY OPERATIONAL RESULTS IN 2019 VEB.RF Entities VEB.PROJECTS VEB.RF FOR THE GOVERNMENT Appendix 4	10-14, 24-26, 38-114, 118-128, 240-242
GRI 102-8 Information on employees and other workers	Principle 6	Human Resource Development Appendix 4 (source: HR records)	190-193, 240-242
GRI 102-9 Supply chain		Procurement	177-179
GRI 102-10 Significant changes to the organisation and its supply chain		VEB.RF ENTITIES Procurement	24-26, 177-179

⁴¹ The Report uses the Standards effective as at 31 December 2016.

⁴² The ten principles of the UN Global Compact are contained in Appendix 3.

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 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	
GRI 102-12 External initiatives		Involvement in the UN Global Compact	29-38
GRI 102-13 Membership of associations		<p>Involvement in the UN Global Compact International Activities</p> <p>As at 31 December 2019, VEB.RF was a member of the following organisations:</p> <ul style="list-style-type: none"> • RPRA – Public Relations, • Russian National SWIFT Association (ROSSWIFT), • National Finance Association, • International Capital Market Association, • International Chamber of Commerce, • U.S.-Russia Business Council, • The Latin American Association of Development Financing Institutions (ALIDE), • Development Assistance Association of Moscow School of Management SKOLKOVO, • Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), • Association of Banks of Russia, • UN Global Compact, • BRICS Inter-Bank Cooperation Mechanism, • Interbank Consortium of the Shanghai Cooperation Organisation. 	29-38, 128-141
2. STRATEGY			
GRI 102-14 Statement from senior decision-maker		CHAIRMAN'S STATEMENT	6-7

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 102-15 Key impacts, risks, and opportunities	Principles 1-10	VEB.RF'S STRATEGIC DEVELOPMENT GOALS Risk Management IFRS consolidated financial statements (Note 35) https://вэб.рф/investoram/otchetnost/MCFO/	20-24, 165-171
3. ETHICS AND INTEGRITY			
GRI 102-16 Values, principles, standards, and norms of behaviour	Principles 1, 2, 6, 10	Anti-corruption	171-174
GRI 102-17 Mechanisms for advice and concerns about ethics	Principles 1, 2, 6, 10	Anti-corruption	171-174
GRI 102-18 Governance structure		Corporate Governance	154-163
GRI 102-19 Delegating authority		Corporate Governance	154-163
GRI 102-20 Executive-level responsibility for economic, environmental, and social topics		Corporate Governance	154-163
GRI 102-22 Composition of the highest governance body and its committees		Corporate Governance	154-163
GRI 102-23 Chair of the highest governance body		Corporate Governance	154-163
GRI 102-24 Nominating and selecting the highest governance body		Corporate Governance	154
GRI 102-26 Role of highest governance body in setting purpose, values, and strategy		The corporate strategy of VEB.RF is subject to approval by VEB.RF's Supervisory Board.	
GRI 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 "On Bank for Development" (as amended in 2018), Article 12.	

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 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 VEB.RF entities' risk management policy and establishes the applicable criteria, restrictions and limits as stipulated by the specified policy and the Federal Law. The Supervisory Board considers the performance of the risk management system on an annual basis as part of reviewing VEB.RF's annual report. Information about risks, including economic, environmental and other risks, and about related risk management methods is made available to the Supervisory Board as part of considering the approval of major transactions and investment projects.	
GRI 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.	
GRI 102-32 Highest governance body's role in sustainability reporting		Appendix 1 The non-financial report of VEB.RF and VEB.RF entities is subject to approval by VEB.RF's management committee	210
5. STAKEHOLDER ENGAGEMENT			
GRI 102-40 List of stakeholder groups		Appendix 1	210-224
GRI 102-41 Collective bargaining agreements	Principles 1, 3	As at 31 December 2019, employees covered by collective bargaining agreements accounted for 76% of VEB.RF's and VEB.RF entities' staff.	
GRI 102-42 Identifying and selecting stakeholders		Appendix 1	210-224
GRI 102-43 Approach to stakeholder engagement	Principles 1, 2	Coordination of Development Institutions International Activities Educational Projects for Entrepreneurs and Young People Corporate Culture Appendix 1 To define the content of the Non-financial Report of VEB.RF and VEB.RF Entities 2019, a survey of VEB.RF entities' functional units and VEB.RF's stakeholders was conducted	27-29, 128-141, 143-145, 204-210, 210-224

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 102-44 Key topics and concerns raised		Appendix 1	210-224
6. REPORTING PRACTICE			
GRI 102-45 Entities included in the consolidated financial statements		The entities included in the consolidated financial statements of VEB.RF are specified in Note 3 (Major subsidiaries) to the IFRS consolidated financial statements (https://вэб.рф/investoram/otchetnost/MCFO/). The Non-financial Report of VEB.RF and VEB.RF Entities 2019 covers only the entities specified in information about the report boundaries in Appendix 1	211
GRI 102-46 Defining report content and topic Boundaries		Appendix 1	211-212
GRI 102-47 List of material topics		Appendix 1	217-222
GRI 102-48 Restatements of information		Administrative Practices ("Use of Corporate Vehicles")	186
GRI 102-49 Changes in reporting		<p>Compared with the previous reporting period, the following changes were made to the material topics:</p> <p>the topics "Investment results and operational performance", "Investment in urban economy development projects", "Contribution towards the development of regions and local communities (new jobs; support for education)" were not included;</p> <p>the new material topics are as follows: "Social programmes and employee benefits, employee turnover, employee retention, employee satisfaction", "Compliance with labour, environmental protection, tax, and other applicable legislation, including laws and regulations related to services", "Project Financing Factory", "Social impact bonds", "Functions of the government-controlled management company", "International cooperation".</p>	

Disclosure	UN Global Compact	Section of the Report/Comments	Page
		<p>Compared with the previous reporting period, the following material changes were made to the report boundaries:</p> <ul style="list-style-type: none"> • information was not included: • about VEB Capital, • about VEB-Leasing, • about VEB Service, • about Svyaz-Bank, • about Prominvestbank, • about VEB Innovations. 	
GRI 102-50 Reporting period		1 January 2019–31 December 2019	
GRI 102-51 Date of most recent report		The VEB.RF Group Non-financial Report 2018 was published in August 2019	
GRI 102-52 Reporting cycle		The non-financial reports of VEB.RF and VEB.RF entities are published on an annual basis	
GRI 102-53 Contact point for questions regarding the report		Appendix 13 Appendix 14	253, 254
GRI 102-54 Claims of reporting in accordance with the GRI Standards		The Non-financial Report of VEB.RF and VEB.RF Entities 2019 is prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and the Financial Services Sector Disclosures	
GRI 102-55 GRI content index		Appendix 2	224-239
GRI 102-56 External assurance		<p>Appendix 1 Appendix 12</p> <p>Independent auditors of non-financial reporting are selected by public procurement procedures in accordance with the Regulations for the Non-Financial Report of VEB.RF and VEB.RF Entities approved by VEB.RF's order</p>	210, 250-253

Disclosure	UN Global Compact	Section of the Report/Comments	Page
TOPIC-SPECIFIC DISCLOSURES			
GRI 200: ECONOMIC			
GRI 201: ECONOMIC PERFORMANCE 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principle 10	SOCIO-ECONOMIC IMPACT OF PROJECTS Social Programmes for Employees	114-118, 198-203
GRI 201-3 Defined benefit plan obligations and other retirement plans	Principle 6	Social Programmes for Employees	198-203
GRI 201-4 Financial assistance received from government	Principle 10	Information about the government grants received by VEB.RF and VEB.RF entities in 2019 is contained in the Consolidated Statement of Cash Flows (see the Consolidated Financial Statements of State Development Corporation VEB.RF and Its Subsidiaries for the Year Ended 31 December 2019, p. 12). ⁴³ In addition, MONOTOWNS.RF, which is not included in the consolidated financial statements, received RUB4.5bn in federal subsidies in 2019.	
GRI 202: MARKET PRESENCE 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 1, 6	Human Resource Development	190-193
GRI 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 11	249-250

⁴³ <https://вэб.рф/investoram/otchetnost/MCFO/>.

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 203: INDIRECT ECONOMIC IMPACTS 2016			
GRI 103-1 Explanation of the material topic and its Boundaries;		Coordination of Development Institutions SOCIO-ECONOMIC IMPACT OF PROJECTS	27-29, 114-118
GRI 103-2 The management approach and its components;			
GRI 103-3 Evaluation of the management approach			
GRI 203-1 Infrastructure investments and services supported	Principle 10	VEB.PROJECTS VEB.RF FOR SOCIETY	38-114, 128-154
GRI 203-2 Significant indirect economic impacts	Principle 10	VEB.PROJECTS VEB.RF FOR THE GOVERNMENT	38-114, 118-128
GRI 204: PROCUREMENT PRACTICES 2016			
GRI 103-1 Explanation of the material topic and its Boundaries;	Principle 10	Procurement	177-179
GRI 103-2 The management approach and its components;			
GRI 103-3 Evaluation of the management approach			
GRI 204-1 Proportion of spending on local suppliers	Principle 10	Procurement	179
GRI 205: ANTI-CORRUPTION 2016			
GRI 103-1 Explanation of the material topic and its Boundaries;	Principle 10	Anti-corruption	171-174
GRI 103-2 The management approach and its components;			
GRI 103-3 Evaluation of the management approach			
GRI 205-1 Operations assessed for risks related to corruption	Principle 10	Anti-corruption	174

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 205-2 Communication and training about anti-corruption policies and procedures	Principle 10	Anti-corruption Appendix 9 VEB.RF did not organise anti-corruption training for its governing bodies (Supervisory Board, Board) in 2019 as no material changes were made to anti-corruption legislation.	171-174, 247
GRI 205-3 Confirmed incidents of corruption and actions taken	Principle 10	Anti-corruption No confirmed incidents when contracts were terminated or not renewed due to violations related to corruption in 2019. No public legal cases regarding corruption brought against VEB.RF or VEB.RF entities or their employees during the reporting period.	173

GRI 300: ENVIRONMENTAL

GRI 301: MATERIALS 2016

GRI 103-1 Explanation of the material topic and its Boundaries;	Principles 7, 8, 9	Administrative Practices	180-187
GRI 103-2 The management approach and its components;			
GRI 103-3 Evaluation of the management approach			
GRI 301-1 Materials used by weight or volume	Principles 7, 8, 9	Administrative Practices	180-187

GRI 302: ENERGY 2016

GRI 103-1 Explanation of the material topic and its Boundaries;	Principles 7, 8, 9	Administrative Practices	180-187
GRI 103-2 The management approach and its components;			
GRI 103-3 Evaluation of the management approach			
GRI 302-1 Energy consumption within the organisation	Principles 7, 8, 9	Administrative Practices	185

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 303: WATER 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 7, 8, 9	Administrative Practices	180-187
303-1 Water withdrawal by source	Principle 8	Administrative Practices	185-186
GRI 306: EFFLUENTS AND WASTE 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 7, 8, 9	Administrative Practices	180-187
306-2 Waste by type and disposal method	Principles 7, 8, 9	Administrative Practices VEB.RF's and VEB.RF entities' activities do not involve the generation of significant waste. The Report discloses information on the waste types with the largest impact. Waste treatment (disposal) methods are selected by the owners of offices rented by VEB.RF and VEB.RF entities. Most waste is handed over to the office owners.	184
GRI 307: ENVIRONMENTAL COMPLIANCE 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 7, 8, 9	Administrative Practices	180-187
GRI 307-1 Non-compliance with environmental laws and regulations	Principle 8	No fines imposed on VEB.RF entities due to non-compliance with environmental laws and regulations in 2019. No non-monetary sanctions, such as suspended operations, incurred.	

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 400: SOCIAL⁴⁴			
GRI 401: EMPLOYMENT 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 1-6	Human Resource Development	190-193
GRI 401-1 New employee hires and employee turnover	Principle 6	Appendix 5	242-243
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Principle 6	Social Programmes for Employees	198-203
GRI 401-3 Parental leave	Principle 6	Appendix 6	243-245
GRI 402: LABOUR/MANAGEMENT RELATIONS 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 1, 2, 6	Human Resource Development	190-193

⁴⁴ VEB.RF entities keep HR records in accordance with the labour regulations and legal requirements of Russia or Belarus.

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 402-1 Minimum notice periods regarding operational changes	Principles 1, 2, 6	In accordance with the Russian Labour Code, the minimum notice period at VEB.RF and the VEB.RF entities operating in Russia is two months. At Bank BelVEB, the provisions regarding the minimum notice period are included in collective bargaining agreements, and the minimum notice period is three months and two months: Bank BelVEB gives the bank's trade union at least three months' notice of any event that may result in downsizings and/or redundancies and gives at least two months' notice to its redundant employees.	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principle 1	Occupational Safety and Respect for Employee Rights	203-204
GRI 403-4 Health and safety topics covered in formal agreements with trade unions	Principle 1	Among the entities included in the boundaries of the Report, VEB.RF and Bank BelVEB have collective bargaining agreements. VEB.RF's collective bargaining agreement specifies the obligation of the employer (VEB.RF) to ensure occupational health and safety. Bank BelVEB's collective bargaining agreement contains the section "Occupational Health and Safety", setting forth the occupational safety obligations of the employer (Bank BelVEB).	
GRI 404: TRAINING AND EDUCATION 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principle 6	Personnel Training, Development and Evaluation	193-198
GRI 404-1 Average hours of training per year per employee	Principle 6	Personnel Training, Development and Evaluation	194-195

Disclosure	UN Global Compact	Section of the Report/Comments	Page
GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	Principle 6	Personnel Training, Development and Evaluation	193, 196
GRI 404-3 Percentage of employees receiving regular performance and career development reviews	Principles 2, 6	Appendix 7	245
GRI 406: NON-DISCRIMINATION 2016			
GRI 406-1 Incidents of discrimination and corrective actions taken		All employees of VEB.RF and VEB.RF entities are free from discrimination on the grounds of gender, religion, political opinion, race or age. No incidents of discrimination were identified within VEB.RF or VEB.RF entities in 2019.	
GRI 413: LOCAL COMMUNITIES 2016			
GRI 103-1 Explanation of the material topic and its Boundaries; GRI 103-2 The management approach and its components; GRI 103-3 Evaluation of the management approach	Principles 1, 2	Urban Economy and Integrated Urban Development Supporting and Developing Single-Industry Towns (Monotowns) Social Impact Bonds	52-56, 56-66, 86-90
GRI 413-2 Operations with significant actual and potential negative impacts on local communities	Principles 1, 2	No such operations within VEB.RF or VEB.RF entities.	
GRI 419: SOCIO-ECONOMIC COMPLIANCE 2016			
GRI 419-1 Non-compliance with laws and regulations in the social and economic area	Principles 1, 2, 10	No significant fines imposed on VEB.RF or VEB.RF entities in 2019. No non-monetary sanctions, such as suspended operations, incurred.	

Disclosure	UN Global Compact	Section of the Report/Comments	Page
SECTOR SUPPLEMENT: FINANCIAL SERVICES SECTOR			
<p>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</p>	<p>Principle 8</p>	<p>VEB.PROJECTS</p>	<p>38-114</p>
<p>FS14 Initiatives to improve access to financial services for disadvantaged people</p>		<p>Among the entities included in the Report, only Bank BelVEB provides retail banking services. 27 of 35 offices of Bank BelVEB (77%) are equipped with wheelchair ramp. Additionally, Bank BelVEB customers have access to various direct banking methods (online banking, call centre, online support, online feedback form, instant messaging, social media, mobile banking)</p>	
VEB.RF-SPECIFIC TOPICS (Management Approaches 103-1, 103-2, 103-3)			
<p>Overall impact of project implementation. Contribution towards the country's economic growth and social well-being, and involvement in addressing socio-economic growth priorities of the Russian Federation (technology, drug and food security; export potential)</p>		<p>VEB.PROJECTS SOCIO-ECONOMIC IMPACT OF PROJECTS</p>	<p>38-114, 114-118</p>
<p>Contribution to implementing Presidential Decree No. 204 of 7 May 2018</p>		<p>Involvement in Implementing the Presidential Decree</p>	<p>26-27</p>

Disclosure	UN Global Compact	Section of the Report/Comments	Page
Practical results of the coordination of development institutions		Coordination of Development Institutions	27-29
Project Financing Factory		Project Financing Factory PFF SPE Bond Issuance PFF Digitalisation	43-46, 46
Social impact bonds		Social Impact Bonds	86-90
Functions of the government-controlled management company		Investment of Pension Savings	122-125
International Cooperation		Involvement in the UN Global Compact Export Support Developing Russian-Belarusian Economic Cooperation International Activities	34-35, 73-86, 107-114, 128-141
Updating of the strategies of VEB.RF entities		Supporting and Developing Single-Industry Towns (Monotowns) Developing Infrastructure and Public-Private Partnerships Leasing Export Support Innovation and Digital Economy Engineering Developing the Far East and the Arctic Developing Russian-Belarusian Economic Cooperation	56-66, 66-71, 71-72, 73-86, 90-98, 98-100, 100-107, 107-114
Development of risk management		Risk Management	165-171
Contribution towards Russian technological leadership (innovation, digitalisation, high technology and knowledge-intensive industries)		Innovation and Digital Economy	90-98
Contribution towards the green economy, environmentally responsible manufacturing and consumption		Syndication Mechanism Shipbuilding Projects Urban Economy and Integrated Urban Development Supporting and Developing Single-Industry Towns (Monotowns) Engineering Administrative Practices	40-42, 42-43, 52-56, 56-66, 98-100, 180-187

Disclosure	UN Global Compact	Section of the Report/Comments	Page
VEB.RF's involvement in achieving the UN Sustainable Development Goals		Contribution Towards the Sustainable Development Goals	29-38
BRICS and SCO		International Activities	132-134
EAEU and CIS integration		International Activities	140-141
Functions of the agent for the Russian Government		Performing the Functions of the Agent for the Russian Government	118-122
Russian-Belarusian cooperation		Developing Russian-Belarusian Economic Cooperation	107-114
Synergies of VEB.RF entities		Managing VEB.RF Entities	164

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 effective abolition of child 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 responsibility

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. Personnel of VEB.RF and VEB.RF Entities by Employment Contract, Employment Type, Employee Category and Gender

Item	Russia						Belarus		Total for the Group		
	VEB.RF		VEB.RF entities in Russia		Total for the Group in Russia						
	men	women	men	women	men	women	men	women	men	women	total
Total number of employees, including:	769	922	403	456	1,172	1,378	476	1,158	1,648	2,536	4,184
Executives	382	255	100	62	482	317	164	127	646	444	1,090
Specialists	371	667	296	386	667	1,053	275	1,031	942	2,084	3,026
Other categories	16	0	44	7	60	7	0	1	60	8	68
Full-time employees	656	756	382	445	1,038	1,201	476	1,155	1,514	2,356	3,870
Part-time employees	113	166	21	11	134	177	0	3	134	180	314
Permanent employees	759	905	372	446	1,131	1,351	0	0	1,131	1,351	2,482

Fixed-term employees	10	17	31	10	41	27	476	1,158	517	1,185	1,702
Non-staff workforce	0	0	7	4	7	4	0	0	7	4	11

Appendix 5. Total Personnel and Personnel Turnover of VEB.RF and VEB.RF Entities in 2019 by Gender and Age

Item	Russia			Belarus	Total for the Group
	VEB.RF	VEB.RF entities in Russia	Total for the Group in Russia		
Total number of new hires in 2019					
Total, including:	797	245	1,042	269	1,311
Men	399	141	540	128	668
30 and below	81	37	118	34	152
31 to 50	254	93	347	79	426
51 and above	64	11	75	15	90
Women	398	104	502	141	643
30 and below	83	26	109	28	137
31 to 50	275	70	345	99	444
51 and above	40	8	48	14	62
Percentage of new hires in 2019					
Total, including:	47.13	28.52	40.86	16.46	31.33
Men	51.89	34.99	46.08	26.89	40.53
30 and below	71.05	49.33	62.43	53.13	60.08
31 to 50	48.38	33.70	43.32	24.09	37.73
51 and above	49.23	21.15	41.21	17.86	33.83
Women	43.17	22.81	36.43	12.18	25.35
30 and below	58.45	23.85	43.43	17.95	33.66
31 to 50	42.64	23.33	36.51	11.62	24.71
51 and above	29.63	17.02	26.37	9.33	18.67
Total number of dismissals in 2019					
Total, including:	260	315	575	705	1,280
Men	125	170	295	248	543
30 and below	15	33	48	26	74
31 to 50	81	119	200	148	348
51 and above	29	18	47	74	121
Women	135	145	280	457	737
30 and below	17	34	51	53	104
31 to 50	85	95	180	312	492
51 and above	33	16	49	92	141

Personnel turnover ratio in 2019					
Total, including:	15.38	36.67	22.55	43.15	30.59
Men	16.25	42.18	25.17	52.10	32.95
30 and below	13.16	44.00	25.40	40.63	29.25
31 to 50	15.43	43.12	24.97	45.12	30.82
51 and above	22.31	34.62	25.82	88.10	45.49
Women	14.64	31.80	20.32	39.46	29.06
30 and below	11.97	31.19	20.32	33.97	25.55
31 to 50	13.18	31.67	19.05	36.62	27.38
51 and above	24.44	34.04	26.92	61.33	42.47

Appendix 6. Employees After Maternity and/or Parental Leave in 2019 and Employees with Unchanged Employment After Maternity and/or Parental Leave, by Gender

Item	VEB.RF		VEB.RF Entities		Total for the Group		
	men	women	men	women	men	women	total
Total number of employees on maternity/parental leave as from 2019	0	29	2	121	2	150	152
Total number of employees after maternity/parental leave in 2019 with unchanged employment	1	36	1	77	2	113	115
Total number of employees after maternity/parental leave in 2019	4	37	1	66	5	103	108

Ratio of employees with unchanged employment after maternity/parental leave to employees after maternity/parental leave in 2019 (%)	25,0	97,3	100	116,7	40	109,7	106,5
Total number of employees after maternity/parental leave in 2018 with unchanged employment as at 31 December 2019 (i.e. with more than one year of employment after maternity/parental leave)	2	18	0	39	2	57	59
Total number of employees after maternity/parental leave in 2018 with unchanged employment	3	50	0	67	3	117	120
Share of employees retained within 12 months after maternity/parental leave in 2019 (%)	66,7	36,0	-	58,2	66,7	48,7	49,2

Appendix 7. Employee Performance Evaluation in 2019

	Total		Executives		Specialists		Other	
	men	women	men	women	men	women	men	women
32,7%	35.86%	30.59%	42.9%	47.3%	32.8%	27.0%	8.3%	37.5%

Appendix 8. Occupational Injury Rate, Occupational Injury Ratio and Occupational Disease Ratio of VEB.RF and VEB.RF Entities⁴⁵

Entity	Total Registered Incidents Involving Occupational Injuries of Employees	Occupational Injury Ratio	Total Time Worked by Employees (man-hours)
VEB.RF	1	0.47	2,116,632
Bank BelVEB	0	0.00	2,989,626
Group REC	0	0.00	562,598.4
VEB Engineering	0	0.00	89,585
InfraVEB	0	0.00	107,206.5
MONOTOWNS.RF	0	0.00	141,007
FEDF	0	0.00	144,273.6
VEB Innovations (VEB Ventures)	0	0.00	71,603

Work-related fatalities and severe incidents were not incurred by VEB.RF or VEB.RF entities in 2019. No new cases of occupational diseases of VEB.RF's or VEB.RF entities' employees or fatalities caused by occupational diseases occurred in the reporting year.

No occupational injuries, occupational diseases or fatalities caused by occupational diseases or workers who were not VEB.RF's or VEB.RF entities' employees, but whose work or workplace was under the control of VEB.RF and VEB.RF entities (contractors, dependent companies etc), occurred in 2019. VEB.RF and VEB.RF entities do not keep records of the time worked by such employees.

⁴⁵ The occupational injury rate is calculated in accordance with the GRI Guidelines, applying the ratio of 1,000,000. VEB.RF and VEB.RF entities do not keep records of minor injuries that require only first medical aid.

Appendix 9. Training in Anti-corruption Policies and Procedures in 2019

Entity	Total		including:					
			Executives		Specialists		Other (Technicians)	
	%	people	%	people	%	people	%	people
VEB.RF	11.4%	193	0.3%	2	18.4%	191	0.0%	0
Bank BelVEB	0.2%	3	0.7%	2	0.1%	1	0.0%	0
Group REC	7.8%	40	5.2%	3	8.1%	37	0.0%	0
VEB Engineering	0.0%	0	0.0%	0	0.0%	0	0.0%	0
InfraVEB	1.3%	1	3.8%	1	0.0%	0	0.0%	0
MONOTOWNS.RF	0.0%	0	0.0%	0	0.0%	0	0.0%	0
FEDF	1.3%	1	0.0%	0	2.0%	1	0.0%	0
VEB Innovations (VEB Ventures)	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Total for VEB. RF and VEB.RF entities	5.7%	238	0.7%	8	7.6%	230	0%	0

Appendix 10. Number of Reports, Including Complaints, Received from Employees, Customers and Partners of VEB.RF and VEB.RF Entities in 2019 and Handled Officially

Entity	Entity Employees	Partners, Customers
VEB.RF	3	3
Bank BelVEB	1	10
Group REC	0	43
VEB Engineering	0	0
InfraVEB	0	0
MONOTOWNS.RF	0	0
FEDF	0	0
VEB Innovations (VEB Ventures)	0	0

Appendix 11. Ratios of the Standard Entry-Level Wage to the Local Minimum Wage as at 31 December 2019

Entity/Region	Entry-Level Wage (Minimum Grade) for Full-Time Employment, RUB	Minimum Wage (Regional Level), RUB	Ratios of the Standard Entry-Level Wage to the Local Minimum Wage
VEB.RF			
Moscow	39,500.00	20,195.00	2.0
Bank BelVEB			
Minsk	16,446.85	9,693.62	1.7
Group REC			
Moscow	40,000.00	20,195.00	2.0
VEB Engineering			
Moscow	63,000.00	20,195.00	3.1
InfraVEB			
Moscow	45,000.00	20,195.00	2.2
MONOTOWNS.RF			
Moscow	30,000.00	20,195.00	1.5
FEDF			
Moscow	70,000.00	20,195.00	3.5
Primorie Territory	46,667.00	12,130.00	3.8
VEB Innovations (VEB Ventures)			
Moscow	60,000.00	20,195.00	3.0

⁴⁶ Source: Moscow and Primorie Territory regional offices of the Federal Service for State Statistics of the Russian Federation; National Statistical Committee of the Republic of Belarus.

Appendix 12. External Assurance of the Non-financial Report of VEB.RF and VEB.RF Entities 2019

FBK Grant Thornton

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE ENGAGEMENT REPORT

To the Management of State Development Corporation VEB.RF

We have been engaged to perform a limited assurance engagement on the accompanying Non-financial Report of VEB.RF and VEB.RF Entities 2019 (the "Report")⁴⁷ in respect of compliance with the GRI Standards² (the "Standards")⁴⁸ (Core option).

Responsibility of State Development Corporation VEB.RF

State Development Corporation VEB.RF ("VEB.RF") is responsible for the preparation of the Report in accordance with the Standards (Core option). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Report that is free from material misstatements due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Independence Rules for Auditors and Audit Organisations and the Code of Professional Ethics for Auditors consistent with the Code of Ethics for Professional Accountants (including international standards of independence) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on compliance by the Report with the requirements of the Standards (Core option), based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform our engagement to obtain limited assurance about whether the Report is free from material misstatements.

⁴⁷ This report discloses the results of State Development Corporation VEB.RF and VEB.RF entities (REC Group (Russian Export Center, EXIAR and EXIMBANK OF RUSSIA), Far East Development Fund, MONOTOWNS.RF, InfraVEB, VEB Innovations, VEB Engineering, Bank BelVEB).

⁴⁸ GRI Sustainability Reporting Standards.

A limited assurance engagement undertaken in accordance with that standard involves assessing compliance by the Report with the requirements of the Standards (Core option).

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal controls, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures, we:

- Interviewed management and employees of VEB.RF and VEB.RF entities to obtain documentary evidence.
- Studied information available on websites of VEB.RF and VEB.RF entities in relation to their activities in the context of sustainable development.
- Studied public statements of third parties concerning economic, environmental and social aspects of VEB.RF's and VEB.RF entities' activities in order to check validity of the declarations made in the Report,
- Analysed non-financial reports of companies working in a similar market segment for benchmarking purposes.
- Conducted a selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in VEB.RF.
- Studied the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included in the Report.
- Analysed information in the Report for compliance with the requirements of the Standards (Core option), including the Financial Services Sector Disclosures.

The procedures were performed only in relation to data for the year ended 31 December 2019.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance with the requirements of the Core option of the Standards and information referred to in the appendix to the Report "Index of GRI Disclosures in the Report Prepared in Accordance with the GRI Standards, the GRI Financial Services Sector Disclosures, and the Principles of the UN Global Compact". In respect of this information, assessment of its conformity to external and internal reporting documents provided to us was performed.

The procedures were not performed in relation to forward-looking statements; statements expressing VEB.RF's opinions, belief or intention to take any action relating to the future; or statements based on expert opinion. The procedures were performed in relation to the Russian version of the Report subject to approval by VEB.RF's management committee, publication on VEB.RF's website, and submission to the Global Reporting Initiative to notify it that the GRI Standards were used to prepare the Report.

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. Consequently, we do not express a reasonable assurance opinion about compliance by the Report, in all material respects, with the requirements of the Standards (Core option).

Limited Assurance Conclusion on Compliance by the Report with the Requirements of the Standards (Core option)

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 comply, in all material respects, with the requirements of the Standards (Core option).

FBK
Practitioner
Partner

Vladimir Skobarev
Power of Attorney No. 76/18 of 17 December 2018

Moscow, Russian Federation
30 June 2020

Appendix 13. Feedback Form

Dear Reader,

Your opinion is very important to us. We would like to have feedback from you to improve the quality of future reports.

To which group of stakeholders do you belong?

- Governmental authorities
- Customers and borrowers
- Investors and partners
- Suppliers, contractors
- Business associations, professional community
- Employees
- Other (please specify)

Does this report contain answers to your questions?

- Yes
- Yes, partially
- No

What additional information would you like to find in the next report?

Your general recommendations and comments:

Please rate this report on the following criteria:

CRITERIA	EXCELLENT	GOOD	SATISFACTORY	POOR
Relevant coverage of issues				
Credibility				
Report structure and ease of reference				
Appearance and format				

If you would like us to respond to your comments, please provide your contact details (name, title, organisation, telephone, email).

Contact:

Vyacheslav Lapshin

Head of Programmes and Strategies, Vnesheconombank Research and Expertise Institute

Email: lapshin_vn@veb.ru

Tel. +7 (495) 604 69 58

Thank you!

Appendix 14. Contact Details

State Development Corporation VEB.RF

9 Akademik Sakharov Ave., 107078 Moscow, Russia

Tel.: (495) 604-63-63

Fax: (495) 721-92-91

<https://вэб.рф>

Vnesheconombank Research and Expertise Institute

Tel.: (499) 954-82-70

www.inveb.ru