



## **SUSTAINABILITY IN DFI AND IFO**

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## DIGEST No.1 (10):

### 1. PROMOTING SUSTAINABILITY WORLDWIDE



Bloomberg New Energy Finance estimates total global investment in renewable energy in 2015 at record high USD 329bn. (>>[page 8](#))

China has stressed that green financing and investment in green infrastructure projects will be a key agenda pushed by China during its presidency in the Group of Twenty (G20) in 2016.

Green Finance Study Group met in London to discuss green finance constraints and potential solutions during 21-22 March 2016. (>>[page 8](#))



The Organisation for Economic Cooperation and Development (OECD) is committed to be part of the “Global GPS” for Sustainable Development Goals (SDGs), helping countries to use its tools and indicators to ascertain where they currently stand in relation to the Goals, and what pathways are available to them to reach their destinations. (>>[page 9](#))

Investors, development banks and financial associations keep joining the Green Infrastructure Investment Coalition (GIIC) launched at the Climate Conference in Paris in December 2015 (>>[page 10](#))



The Singapore Exchange (SGX) published its Guide to Sustainability Reporting on 5 January 2016. (>>[page 11](#))

## 2. TOWARDS A GREEN ECONOMY FOR RUSSIA



Russia's coal industry needs to align with new environmental principles. (>>[page 13](#))

OECD countries have seen key alternative energy technologies outpace more conventional solutions in terms of commissioning new generation capacities for several years.

What are the positive effects from fostering renewable energy sources (RES)? (>>[page 13](#))



Russian Ministry for Economic Development will list GRP carbon intensity among KPIs for regional authorities until the end of 2016. (>>[page 15](#))

The Russian Ministry of Natural Resources and Environment has submitted a draft resolution to the Russian Government on including requirements to GHG emissions in lists of best available technologies. (>>[page 15](#))



The Russian Social Ecological Union has published a follow-up report on implementation of the Climate Doctrine of the Russian Federation across Russia. (>>[page 16](#))

Gaidar Forum 2016 held in Moscow between 13 and 15 January 2016 hosted a range of sustainability and low-carbon economy events. (>>[page 16](#))





Crimea has launched the region's first biogas power plant fired by landfill gas. (>>[page 17](#))

Krasnoyarsk Economic Forum 2016 held on 20 February 2016 hosted a round table entitled *Green Economy of Russia: Traditional Industry or Innovation? Export Potential for the Taiga Riches*. (>>[page 17](#))



Russia has launched a free advisory programme for people launching eco-sustainable business projects. (>>[page 17](#))

### 3. RESPONSIBLE INVESTMENT



KfW is recognised as the Best *Green Bond* Issuer in 2015 by CMDportal. (>>[page 17](#))

A new Green Finance Initiative (GFI) was launched in January 2016 set to be the Year of Green Finance by the United Nations Environment Programme Finance Initiative (UNEP FI). (>>[page 18](#))



According to a study by UNEP FI and the UAE Ministry of Environment and Water, financial institutions of the UAE are building up the scale of their green project financing.(>>[page 18](#))

## 4. SUSTAINABILITY RATINGS AND RESEARCH

The International Integrated Reporting Council (IIRC) has issued two new publications, including on application of integrated reporting in the banking sector. (>>[page 21](#))



Russia ranked 32<sup>nd</sup> in the global Environmental Performance Index 2015 developed jointly by Yale and Columbia Universities, substantially improving its positions against 2014. (>>[page 19](#))



According to Climatescope-2015 report, emerging economies have outpaced advanced markets in terms of investment in alternative energy. (>>[page 19](#))



The OECD reports that countries that apply strict environmental policies maintain their export competitiveness as compared to countries with less stringent environmental laws. (>>[page 19](#))



The Oxford University reports in its new study that solar panels keep cheapening.  
Since 1980, solar panel costs have been falling about 10% a year, and experts believe that this trend will persist. (>>[page 21](#))



## 5. SUSTAINABLE PRACTICES OF LEADING DFIS



The Brazilian Development Bank (BNDES) allocated over USD 50bn (BRL 196bn) to investment projects in 2015. (>>[page 21](#))

Indian financial authorities have announced that the government is intending to take its stake in the Industrial Development Bank of India (IDBI) down to 50% and below. Currently, the government owns app. 80% of its stock. (>>[page 21](#))



The Development Bank of Southern Africa (DBSA) has entered into an agreement with the South African Department of Trade and Industry that provides for the DBSA's involvement in a programme for recovery of national industrial parks. (>>[page 22](#))

The German development bank (KfW) acted as an energy transition driver in Germany by financing 44% of newly installed renewable energy facilities in 2013-2014 (except for offshore wind turbines). (>>[page 22](#))

In 2015, KfW reconfirmed its role as a global leader in green finance and climate action allocating EUR 29.4bn for these purposes (11% year-on-year growth). (>>[page 23](#))



## 6. SUSTAINABILITY IN VNESHECONOMBANK



The Expert Council of Vnesheconombank (VEB) discussed *Climate Agreement: New Conditions and Prospects for Business* at its meeting held on 26 January 2016 in VEB (>>[page 24](#))

The working group of the Development Award approved 30 projects that were put forward for Vnesheconombank's awards in eight nominations.

The nominees for the Best Environmental and Green Technology Project included:

1. Project by NMLK to Cut Dust Emissions (a project by Novolipetsk Steel (NLMK), Lipetsk Region).
2. Construction of a Solar-Based Hot Water Supply Facility for the Town of Narimanov: Solar Town (a project by OOO Stroitelno-remontnoye predpriyatiye Termo-tehnologiya, Astrakhan Region).
3. Energy Independent Facility for Disposal of Combined-Type Waste through Anaerobic Conversion into Biomethane Generating a Multi-Purpose Microbiological By-Product (a project by OOO Kompleksniye Sistemy Utilizatsii, Orenburg Region).
4. Renovation of the Onega Hydrolysis Plant's facilities for a Fuel Pellet Plant (a project by OAO Bionet, Arkhangelsk Region).

A total of 303 applications were submitted to the award from across 62 regions. (>>page 26)



Vnesheconombank's employees took part in a meeting of representatives from the business community and non-profit organisations advocating for the Climate Partnership of Russia. The meeting took place in Moscow in late February 2016.

The Partnership seeks to pursue the strategic targets outlined by the 21<sup>st</sup> session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) and put in place environmental innovations and practices in Russia.

At the meeting, the parties discussed climate financing and business optimisation; mitigation of carbon protectionism risks (through higher duties for goods with heavy carbon footprint) and forms of government GHG regulation. (>>page 25)

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## IN FOCUS:

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### 1. PROMOTING SUSTAINABILITY WORLDWIDE

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#### RES investment and capacities demonstrate record growth rates

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According to Bloomberg New Energy Finance (BNEF), total investment in renewable energy came at record high USD 329bn in 2015.

China, the world's largest solar panel manufacturer and exporter, spent record high USD 111bn for renewable energy infrastructure in 2015.

On top of that, the environmental crisis faced by Beijing in late 2015 prompted the capital's authorities to commit to abandon coal-fired heating by 2020.

Lower costs of renewable energy led to a 30% rise in wind and solar capacities in 2015, with investments up 4% year-on-year.

Clean power generation is growing at ever increasing rates

every year as compared to coal, gas and oil-fired capacities taken together.

A total of 121 GW of renewably energy capacities were built worldwide in 2015.

BNEF reports that wind energy, even net of government subsidies, became the cheapest-to-generate type of electricity in Germany and in the UK in October 2015 where its share accounted for 11.4% and 7.7% of total generation, respectively.

In Lithuania, renewable energy sources (RES) supply over one half of electricity generation and heating capacities.

In 2016, Lithuania is planning to double its wind energy capacities and boost its biomass energy output.

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#### Green finance as G20's key agenda for 2016

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China presiding in the Group of Twenty (G20) forum in 2016 has stressed that **it will push green finance and green infrastructure projects as a key agenda** of G20's summit of 4-5 September 2016 in Hangzhou (China).

During 25-26 January 2016, Beijing hosted the first meeting of G20's Green Finance Study Group (GFSG).

The second meeting of the GFSG took place in London during 21-22 March 2016.

During the meeting, the GFSG reviewed its findings in **five areas of research**, including:

- greening the banking system;
- greening the bond market;
- greening institutional investment; and
- risk analysis and measuring progress.

The participants also discussed **G20's country experiences, barriers to green financial flows and options to address the barriers.**



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## Leaders of the UN Global Compact discussed the Sustainable Development Goals in Davos

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A meeting of global business leaders and heads of UN agencies was held as part of the World Economic Forum on 20 January 2016 in Davos, according to the [web-site](#) of the Global Compact Network Russia.

The participants discussed opportunities for the United Nations to expand public private partnership aimed to promote the Sustainable Development Goals (SDGs).

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## OECD intensifies its efforts to achieve SDGs

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The Organisation for Economic Cooperation and Development (OECD) is committed to be part of the “**Global GPS**” for Sustainable Development Goals (SDGs), helping countries to use our tools and indicators **to ascertain where they currently stand in relation to the Goals**, and what pathways are available to them to reach their destinations.

The OECD is also intending to explore how non-development policies can help implement the SDGs.

The OECD has already prepared an Action Plan outlining **areas to enhance and improve the Organisation’s efforts in implementing the development agenda by 2030.**

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## The Global Commission started preparing an economic case to advance the SDGs

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The **Global Commission on Business and Sustainable Development** was launched at the World Economic Forum. The Commission was set up by Paul Paulman, Unilever’s CEO, and Mark Malloch-Brown, former United Nations Deputy Secretary-General.

The Commission brings together international leaders from business, labour, financial institutions and civil society and will **articulate and quantify the compelling economic case for business to advance the Sustainable Development Goals** in one year’s time.

Goals that the Global Commission was set up to achieve are:

- define the SDGs and show **why business should invest in sustainable development** at a much broader strategic level;
- show how new business models can at a time **support profitability and achieve social goals**;
- show how business, government and society can efficiently **collaborate to achieve the SDGs**.
- quantify higher performance in achieving sustainable development.

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## The Green Infrastructure Investment Coalition is expanding

Investors, development banks and financial associations keep joining the **Green Infrastructure Investment Coalition** (GIIC) launched at the Climate Conference in Paris in December 2015.

The aim of the GIIC is to **support the financing of a rapid transition to a low-carbon and climate resilient economy.**

The GIIC agenda will include examining barriers to capital flows, identifying forward infrastructure

pipelines and **facilitating greater capital market participation in green infrastructure development and financing.**

Foundation and other members are the European Investment Bank, Deutsche Bank, the Industrial Development Bank of India, the UN Principles for Responsible Investment Initiative, the Climate Bonds Initiative, UNEP Inquiry and others.

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## UN PRI to enhance social responsibility of asset owners

The UN Principles for Responsible Investment Initiative (UN PRI) has issued a [report](#), on **How Asset Owners Can Drive Responsible Investment: Beliefs, Strategies and Mandates**, calling on asset owners to incorporate environmental, social and

economic risks and opportunities in their beliefs and mandates.

The report provides suggestions of ESG analysing and reporting goals that asset owners can include in their mandates to fund managers to follow the principles for responsible investment.

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## UN PRI launches Asset Owner Advisory Committee

The Committee consists of high-level representatives from asset owner signatories that have

demonstrated **leadership in implementing the six Principles of UN PRI.**

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## UNEP FI and 2° Investing Initiative issue a report

Due to the global transition to low-carbon development, institutional investors have a major incentive to cut down GHG emissions by assets in their portfolio.

Many investors realise that a **lower carbon footprint of their portfolios will facilitate their success in the longer run**, and even more so in an unstable economy.

The UNEP Finance Initiative (UNEP FI) jointly with the World Resources Institute and [2° Investing Initiative](#) has issued a [report](#) entitled **Climate Strategies and Metrics: Exploring Options for Institutional Investors** that will serve as useful guidance for those who invest in low-carbon development.

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### SGX to promote non-financial reporting

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On 5 January 2016, the Singapore Exchange (SGX) published a consultation paper: [Sustainability Reporting: Comply or Explain](#).

The consultation paper will be used to **prepare sustainability reports since 2017**.

Non-financial reporting is becoming even more popular among investors and other

stakeholders: customers, suppliers, government authorities and banks.

An opinion poll run among institutional investors by SGX in June 2015 showed that **90% respondents attach much significance to environmental, social and economic aspects when selecting their investment targets**.

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### IMF for carbon tax on transport

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The International Monetary Fund (IMF) calls to **introduce a carbon tax (GHG emission tax) for watercraft and aircraft**.

The IMF estimates in its [report](#) that a charge of USD 30 per tonne of carbon dioxide from fuel combustion by international transport would lead to a

**budgetary effect (estimated only for advanced economies) of USD 25bn in 2014**.

Tax proceeds would serve as a source for climate financing to support low-carbon development and adaptation to hazardous natural phenomena in emerging economies.

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### ADB and EDB to co-finance projects

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By 2012, international development banks will allocate **USD 3bn** to implement projects in Armenia, Kazakhstan, Kyrgyzstan and Tajikistan.

Under the Framework Co-Financing Agreement adopted on 2 March 2016 after a meeting between D. V. Pankin, Chairman of the Management Board of the

Eurasian Development Bank (EDB), and T. Nakao, President of the Asian Development Bank (ADB), **ADB and EDB** will allocate USD 2bn and USD 1bn, respectively.

The Framework Agreement outlines key areas and facilities for interaction between member countries of the ADB and EDB.

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### Sustainable energy development discussed at G20's platform

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The first meeting of G20's Energy Sustainability Working Group was held in Xiamen on 28 January 2016.

Delegates discussed **energy access, clean energy, energy**

**efficiency** and global energy governance.

The meeting was attended by about 150 representatives from member states of the Group of 20, invited countries and international organisations.

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### Gulf countries are building up their RES capacities

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Oil producing countries of the Persian Gulf have announced ambitious plans to boost renewable energy.

By supporting RES, the countries are seeking to **address water shortage issues**, with water being an expensive resource in the region and widely used in the energy sector.

According to the International Renewable Energy Agency (IRENA), the Gulf countries are

intending to build renewable energy facilities **with a total capacity over 27 GW by 2030.**

The Emirate of Dubai is planning to generate **one fourth of its electricity from clean sources.**

Achieving these targets would cut water consumption (withdrawal) in the region (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE) by 16% or 11 trillion litres per year.

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### The Republic of Kazakhstan to improve environmental laws

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On 10 March 2016, the Senate of the Parliament of the Republic of Kazakhstan adopted the Law **On Entering Amendments and Additions to Certain Environmental Legislative Acts of the Republic of Kazakhstan.**

The draft law adopted by the Senate of the Republic of Kazakhstan covers two areas:

1) further implementation of the Aarhus Convention (The United Nations Economic Commission for Europe (UNECE) Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters) ratified by Kazakhstan; and

2) **improvements to GHG regulation.**

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### Increase in the RES share to boost GDP

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The International Renewable Energy Agency (IRENA) has stated that the goals of the Paris Climate Agreement may be achieved by **expanding the scale of renewable energy use and increasing the share of renewable in the global energy mix to 36% by 2030.** This would reduce GHG emissions twofold which is necessary to maintain

global warming within two degrees of Celsius.

According to IRENA's report presented at the meeting in Abu Dhabi on 16 January 2016, the doubling of the RES share by 2030 would **increase global GDP by 1.1% or USD 1.3 trillion and create over 24 million jobs** in the renewable energy sector.

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### RES growing fast in Scotland

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Renewables are performing extremely well in Scotland. According to WWF Scotland, wind

energy grew 16% in 2015, to supply 97% of Scottish households or 2.34 million houses.

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## Finland applies energy saving technologies

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A data centre launched in the town of Mäntsälä in the south-east of Finland will be used to heat utility water.

The data centre's server owned by Yandex produces hot air that can be used for water heating.

The solution reduces gas consumption and CO<sub>2</sub> emissions (target: by 40%).

With its data centre, the company shows its strong commitment to **the principle of**

**full use of surplus energy** generated by the facility in the interests of the local community.

According to Yandex, the new method is **much cheaper than building and operating a standard gas boiler**. The solution is forecast to **cut consumer heating costs by 5% this year, while the data centre's power costs will go down almost by one third**.

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## 2. TOWARDS A GREEN ECONOMY FOR RUSSIA

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### Sustainability requires transformation of the coal industry

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The *Expert* magazine writes that **the Russian coal industry needs to align with new environmental principles**.

The global trend shows that **for the first time since the 1990s coal consumption is on the decline**.

Brown and energy coal exports are strongly affected by the environmental and energy policy of China: the world's major coal producer and consumer is committed to **shut down a half of its almost eleven thousand mines** in the short term while phasing into renewables.

The world's largest coal producer, Shenhua (China), is

already putting in place a development strategy seeking to become an internationally recognised **supplier of green energy and advanced technology developer**.

The company has brought forward a green energy initiative to adopt a **plan to cut emissions by coal-fired generation units**.

The company has already upgraded 45 of its generation units with a total capacity of 24 GW, representing 28% of all upgraded generation units in China. Another 35 units will be upgraded in 2016.

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### Russian experts are analysing positive effects from RES commissioning

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For several years, in OECD countries, **key RES technologies have been outpacing conventional technologies in terms of commissioning new generation capacities** (accounting

for over 50% of total commissioning).

Economists are attempting to find the **correlation between energy consumption and GDP** and, accordingly, understand how energy saving and RES

development would affect the economy.

According to calculations for 2020 alone, based on indicators for new power plant commissioning and RES-based electricity generation set out in Directive No. 861-r of the Russian Government dated 28 May 2013, total investment in the wholesale and retail electricity and capacity

markets for capacities to be commissioned in 2020 will come at RUB216.42bn; the expected aggregate annual positive effect will be RUB68.561bn, net of the cutback on environment and healthcare costs; therefore, in 2020, ROI will be 31.68 kopecks on RUB1 invested, note Russian experts in the Vedomosti newspaper.

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### Implications of climate change and RES implementation costs

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In his article published in the *Kommersant* newspaper, D. Tsitsiragos, IFC's Vice President for investments and advisory services, states that an increasing number of studies show that **climate change will have disastrous implications for corporate net profits**.

If global temperatures jump four degrees by 2100, droughts, flooding, and ferocious storms and other natural calamities will wreak financial havoc, upending small shops and large conglomerates alike.

A study by CitiGroup has shown that excessive warming could shave up to USD 72tn of the world's GDP.

As to the **cost of RES development for the electricity market and end consumers**, the NP Market Council estimates that the aggregate indicative cost for the wholesale market in 2016–2038 will be **RUB 2,264.37bn** (net of DCF) in nominal rouble terms. It will start growing from 2016 (RUB18.82bn) to reach a peak in 2024 (RUB173.46bn) and drop to RUB5.08bn by the period end (2038). The average annual cost will be app. RUB103bn.

A recent survey of 1,700 major international firms has shown that **investments in GHG reduction have recorded an internal rate of return of 27%**.

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### Moscow forum discussed the results of the Paris Climate Agreement

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Participants of the 3<sup>rd</sup> International Forum *Russia's Involvement in Implementation of the UN's New Climate Agreement (Paris, 2015)* held in Moscow on 18 February 2016 discussed the results of this historical agreement and decisions to be taken by Russia and other countries to put the world on track for its goals.

2016 will end the **three-year term for implementation of the**

**Russian Climate Doctrine**. The Russian Ministry of Natural Resources and Environment will prepare a brief analysis for the Russian Government on implementation of the Climate Doctrine.

Additionally, **the Russian Ministry of Natural Resources and Environment has prepared a number of draft regulatory**



documents on a new climate goal.

Proposals on a **new low-carbon development strategy** have also been submitted to the Russian Government. Potentially, this strategy would be tested in a pilot region, e. g. in the Far East.

The Forum's participants have highlighted that **cutting**

global GHG emissions under the Paris Agreement requires a **revised economic development model**, including, in the longer run, **economy decarbonisation, putting in place green technologies, and promoting innovative projects.**

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### GHG emission targets to be included in BAT lists

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The Russian Ministry of Natural Resources and Environment has submitted to the Russian Government a draft directive on including greenhouse gas emission targets in the lists of best available technologies (BAT).

A relevant statement was made by S. R. Levi, Deputy

Minister of Natural Resources and Environment of the Russian Federation in his speech at the conference of the Russian Union of Industrialists and Entrepreneurs on *Industrial Ecology and Global Climate Change: The Role of Business and Government in Risk Mitigation* on 22 March 2016.

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### Regional authorities to be appraised for CO<sub>2</sub> emission reduction

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By late 2016, the Russian Ministry of Economic Development will make **carbon intensity of GRP a performance indicator for regional authorities**, informs the *Kommersant* newspaper.

Next year, the Russian Ministry of Natural Resources and Environment may **impose a mandatory requirement on Russian regions to provide**

**reports on GHG emissions** (voluntary so far).

Surveys show that most regions might prove unprepared for the requirements of the Ministry as emissions are accounted for on a non-systemic basis in only ten regions, while no region budgets any funds for climate policy measures.

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### A green standard developed by the SCO

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A **draft Green Standard of the Shanghai Cooperation Organization (SCO)** has been submitted to the Russian Ministry of Natural Resources and Environment.

The draft Standard has been prepared by a Working Group of Experts involving representatives from the Russian Ministry of Natural Resources and Environment.

The SCO's Green Standard has been developed to **enhance environmental safety, resource saving and energy efficiency**, set up favourable habitats, and enhance environmental and social transparency and accountability of business entities.

The Standard will be applied to infrastructure projects implemented within the SCO by

entities of any legal form, industry or nationality.

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## Russian regions started developing and implementing climate strategies

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The Russian Social Ecological Union (RSEU) has published the findings of a **survey on measures taken by Russian regions to put in place the Climate Doctrine of the Russian Federation**.

The survey has shown that so far most regions have no systemic efforts in place to explore climate change implications for specific territories. Some regions, however

(such as the Murmansk Region, Arkhangelsk Region, Republic of Karelia, Republic of Komi, the Nenets Autonomous Area, Saint Petersburg, the Republic of Crimea, the Khanty-Mansi Autonomous Area, and the Yamalo-Nenets Autonomous Area), are already taking their **first steps to build integrated climate action plans**.

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## Expert discussions held on low-carbon development of Russia

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Events dedicated to sustainable development, including low-carbon economy, were held as part as Gaidar Forum-2106 that took place in Moscow on 13-15 January 2016.

**Green energy** was discussed at an expert panel on *Power Generation: Challenges for the 21st Century: The Green Revolution, Risks and Opportunities for Resource-rich Countries*.

Speakers drew attention to alternative energy issues, including inability to take advantage of the scale economy as with conventional energy resources and other types of operations.

Experts noted that, with RES generation, **larger companies are as efficient as smaller ones**.

Besides, such energy is quite hard to export to long distances as it gets partially lost in transmission grids.

The expert panel on **Costs and Benefits of Low-Carbon Development: Modelling of Energy and Environment** held on 14 January 2016 came to a

conclusion that the focus on new energy would facilitate **economic diversification, innovative development and growth of small- and medium-sized enterprises**. Accordingly, this would **boost the competitiveness and enhance the investment case of the Russian economy**.

In answering whether there are any benefits in promoting alternative energy on the back of low oil prices, the panel's participants pointed out that lower oil prices would contribute to reallocation of investment resources to non-carbon energy firms and projects.

An expert panel on **France and Russia: Prospects of Cooperation in Implementing the Decisions of the UN Climate Conference** was held on the third day of Gaidar Forum-2016.

The panellists discussed the environmental policy of Russia and France, global climate change and its implications.

Experts also shared their environmental experience.



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### A biogas plant launched in Crimea

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The **region's first biogas-fired power plant** has been launched in Crimea to generate electricity from landfill gas.

The power plant is located at a solid municipal waste disposal

site in the village of Turgenevo of the Belogorsky District.

**Its output is currently 60 Kw/h**, planned to be **increased 15 times** by installing five more additional units at the site.

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### Krasnoyarsk forum discussed green economy

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A round table on **Russian Green Economy: Conventional Business or Innovative Industry? Export Potential of Taiga Riches** was held as part of Krasnoyarsk Economic Forum 2016 on 20 February 2016.

The event was organised by the Committee for Natural

Resources, Nature Management and Environment of the State Duma, Interregional Association *Siberian Accord*, and Non-commercial Partnership *Union of Wild Growing Products Processors*.

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### Free advice for green businesses

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Russia has put in place a programme for **free advisory services for people launching sustainable businesses**. The project is initiated by the Centre of

Environmental Business Support and Assistance.

The Centre's experts will answer questions on **waste disposal, environmental safety and resource saving**.

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## 3. RESPONSIBLE INVESTMENT

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### KfW recognised as the Best Green Bond Issuer in 2015

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KfW has been recognised as the **Best Green Bond** Issuer in 2015 by CMDportal.

KfW has been issuing green bonds since 2014.

In 2015, KfW offered **five green bonds**, including in three new currencies: **Australian dollar, pound sterling and Swedish krona**.

Proceeds from green bonds issued in 2015 totalled **EUR 3.7bn**, which is equivalent to 6% of capital raised by KfW in capital markets in 2015 that came at EUR 62,6bn).

All capital raised under green bonds are used to **finance KfW's renewable energy programme**.

A total of **EUR 4.2bn** was invested under the programme in 2015, with **88% of this amount financed through green bonds**.

The total annual effect from green bonds issued in 2015 stands at app. **2.9 million tonnes of CO<sub>2</sub> equivalent** (as estimated by ZSW, an independent firm, based on 2007-2012 projects). If

For instance, the same reduction is achieved due to the absorbing capacity of forests covering a surface exceeding that

of Berlin, London, Los Angeles, Rio de Janeiro and Tokyo taken together.

**In 2015, 90% of the renewable energy programme's financial resources were allocated to wind energy projects, and 8%, to solar. The remaining 2% were invested in biomass projects and projects using other technologies such as hydro energy.**

**79% of the RES programme's funds were invested in projects based in Germany, 12% in France, 4% in Finland, 2% in Italy and one**

percent and less in the UK, Netherlands, Australia, Canada and Ireland.

In January 2016, KfW issued **green bonds for more than EUR 100m denominated in Swedish kronas.**

The bonds are 5-year 0.5% annual coupon bonds.

**They are secured with Germany's government guarantee.** The deal is lead managed by Nordea and SEB.

The deal mainly involved **socially responsible investors** such as AP3, SEB IM and SPP Grön Obligationsfond (Storebrand).

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### London turning into a green finance capital

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A new **Green Finance Initiative (GFI)** was launched in January 2016, the **Green Finance Year** by the UNEP Finance Initiative.

GFI, the Green Finance Initiative of London, is designed to

turn the city into a **green finance centre and global leader.**

GFI will focus on **mobilising capital to put the world on track for Sustainable Development Goals and the goals of the Paris Climate Agreement.**

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### Green investment driving the UAE's financial sector

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According to a survey held by UNEP Finance Initiative and the UAE's Ministry for Environment and Water, **the UAE's financial institutions are building up their green project financing.**

At the time of the survey, about **one half of respondents** were already offering green finance products and services, while 41% of financial institutions planned to introduce similar products or services in the short term.

**About one fourth of banking and investment firms have invested in green projects,** including 75 national projects.

At least 0.27% of GDP was allocated to **national green projects.**

A number of institutions have pointed out such advantages of green finance as **cost savings, extra income and better share performance.**

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### Shanghai Pudong Development Bank issued green bonds

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In January 2016, Shanghai Pudong Development Bank Co. issued 3-year 2.95% **green bonds for USD 3bn (CNY 20bn).** The offering was oversubscribed.

According to Bloomberg, as of late 2015, the green bond market was USD 41bn, which represents a year-on-year growth.

## 4. SUSTAINABILITY RATINGS AND RESEARCH

### Russia rises in the global environmental efficiency rating

Russia has considerably risen in the global **Environmental Performance Index for 2015** developed jointly by Yale and Columbia Universities **as compared to 2014** to rank 32<sup>nd</sup> (41 positions up).

The rating presented in the World Economic Forum in Davos ranks 180 countries by two blocks of indicators: **environmental**

**health and viability of ecosystems.**

European countries are among the Index's top ten. The top three include Finland, Iceland and Sweden. The US has ranked 26<sup>th</sup>.

The bottom ten include nine African countries and Bangladesh.

Experts believe that the lowest environmental performance is demonstrated by Somali.

### Emerging countries outpace advanced economies in terms of investment in RES

According to Climatescope-2015 report, **emerging countries have outpaced advanced markets in terms of investment in alternative energy.**

The *Kommersant* newspaper informs that **China has been leading the list of environmentally clean energy projects for a second consecutive year.**

Russia, South-Eastern and Eastern European, Caucasian and Central Asian countries do not take

full advantage of their renewable energy potential.

A survey of RES development over the last 20 years run by the United Nations Economic Commission for Europe and REN21 analysts involving the International Energy Agency and Bloomberg New Energy Finance states that, in 2014, total RES investment (net of large HPPs) in 17 countries of the region came at only **0.5% of global investment in clean energy.**

### European companies leading the RobecoSAM rating

Data of RobecoSAM's **Sustainability Yearbook 2016** presented on 22 January 2016 at the World Economic Forum in Davos suggest that **European companies account for the bulk of firms listed in the Yearbook that won gold medals of RobecoSAM.**

The survey assessed 2,126 companies from across 42 countries and took into account **environmental, social and economic performance.**

This year, RobecoSAM awarded gold medals to 77 companies, silver medals to 74 companies, and bronze medals to 97 companies.

### Stricter environmental policies do not hurt exports

**Countries that have in place strict environmental regulations remain competitive export-wise** as compared to countries with less

stringent environmental policies, states an overview of a paper entitled *Do environmental policies affect global value chains?* drafted

by experts of the Organisation for Economic Cooperation and Development (OECD).

The paper concludes that **countries with advanced industry may tighten their environmental policies without giving up their share in export markets.**

More stringent environmental policies may lead to certain problems for energy intensive businesses and industries whose operation involves considerable environmental pollution (e. g. chemical industry, plastic or steel making).

Such adverse impact, however, will be offset by rising exports of goods involving more environmentally friendly production methods.

The OECD's experts have not found any evidence that a large gap in the environmental policies between two countries would have a considerable impact on the turnover of industrial goods between them.

By adopting environmentally cleaner methods, companies and manufacturing sectors would be able to gain better positions as **their government's environmental policies become more stringent**, while those industrial businesses and sectors that fail to adapt would be losing their market shares.

On top of that, more stringent environmental mechanisms would contribute to **innovative development**, which would be positive for both environment and economics.

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### OECD to articulate priorities for economic reform

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The OECD's 2016 **report Going for Growth** provides a comprehensive evaluation of how policy reforms affect economic performance and welfare.

The paper's authors determine **economic recovery priorities** and highlights how important it is to coordinate government policies in various areas when developing reform programmes.

The OECD's report calls on prioritising those measures that

support short-term demand by linking structural changes in the government policy to **heavier investment in infrastructure projects.**

The OECD's experts also recommend focusing on better competitive environment in finished product markets, a more flexible labour market, and a more stable financial market and on removing obstacles for international trade and investment.

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### Water to be in higher demand

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A new **paper** by the International Institute for Applied Systems Analysis shows that **water demand may double by 2050** to increase pressure for this rare resource.

Solutions to this issue might include demand stabilisation through **streamlined water use and saving.**

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### Solar energy to become cheaper

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The Oxford University predicts solar panels will keep cheapening, according to its new [research](#).

Since 1980, solar panel costs have been falling **app. 10% a**

**year**, while experts believe that this trend will persist.

Solar power is forecast to **supply 20% of energy worldwide by 2027.**

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### IIRC reviews application of integrated reporting

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The International Integrated Reporting Committee (IIRC) has published two new papers. The first discusses **applying integrated reporting in the banking industry** (the [report](#) has been prepared by <IR> Banking Network of the IIRC).

The second [paper](#) reviews **the economic consequences associated with integrated reporting using data of South African companies.**

As of the research date, South Africa was the only country where integrated reporting was mandated.

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## 5. SUSTAINABLE PRACTICES OF LEADING DFIS

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### BNDES allocated 40% of its total investment in infrastructure in 2015

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The Brazilian Development Bank (BNDES) disbursed over USD 50bn (BRL 196bn) for investment projects 2015 r.

The bulk (40.4%) was invested in **infrastructure. Industry (with 27.1%)** ranks second, **followed by the tertiary**

**sector (22.4%) and agriculture (10.1%).**

In 2015, investment fell 28% year-on-year, in many respects due to **lower demand** for new investment resources and a revised federal tax policy.

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### PPP promoted by BNDES and IFC

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The Brazilian Development Bank (BNDES) jointly with the IFC issued a report on **structuring public private partnership and concession projects in Brazil.**

The report includes an analysis of the Brazilian

development model and proposals to improve legislation, governance practices and legal instruments (e.g. agreements) applied when developing concession and PPP projects.

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### IDBI to expand the scale of operation and transform its business

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The Indian financial authorities have announced their intentions to reduce the government's interest in the Industrial Development Bank of

India (IDBI) **to 50% and below.** At present, the Indian government owns about 80% in the IDBI.

Media report that there are negotiations already in place with the IFC that considers acquisition of a 15% stake.

International financial institutions, CDC (UK) and GIC (Singapore), are also interested in buying a stake.

Top executives of the IDBI note that the development bank undergoes transformation that provides for **expanding the scale of its operations and cutting its total idle assets down to 3%** (with the existing interest standing at app. 9%).

The IDBI has set a goal to increase its net interest margin to 3% by 2019.

Moreover, for the three coming years, the IDBI is planning to refocus its loan portfolio structure on **small- and medium-**

**sized enterprises, and agricultural projects and retail loans.** The IDBI will concentrate on approaching customers **with higher credit ratings.**

The changes will also bear on the IDBI's governance systems and automate business processes. The bank's management is also planning to increase the number of its offices **from 1,800 to 4,000 by 2019.**

In the mid-term, the bank is also intending to put in place an Employee Stock Ownership Plan and revise the payroll system.

The IDBI's employees actively demonstrate their disagreement with the decision by supreme authorities to privatize the bank.

A large-scale four-day strike began on 28 March 2016.

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### DBSA to reconstruct national industrial parks

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The Development Bank of Southern Africa (DBSA) has entered into an agreement with the entered into an agreement with the South African Department of Trade and Industry that provides for the DBSA's involvement in **a programme for reconstruction of national industrial parks.**

The programme is part of the Industrial Policy Action Plan aimed to boost the national industry and encourage export-oriented sectors.

The programme will **create new jobs and foster economic growth** in under-performing regions by making them more attractive for private investors.

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### KfW as a RES growth driver

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The German Development Bank (KfW) acted as an **energy transition driver in Germany** by financing **44% of newly installed renewable energy facilities** in 2013–2014 (except for offshore wind turbines).

Support to RES provided by KfW in 2012–2014 reduced GHG emissions in Germany by a total of **9.5 million tonnes** of CO<sub>2</sub> equivalent.

The bank's top management say that putting the world on track for the energy development and climate action goals requires consistent development of renewable energy, particularly in heating, and even **higher development rates.**

KfW estimates that RES facilities operated in 2013–2014 will cut growing **climate action costs.**



Avoided losses will be EUR 950m a year, including 85% related to climate change, and 13% to avoided adverse impact on human health.

Total investment in electricity and heat generation came at **EUR 14.4bn**. 70% of this amount was invested in onshore wind turbines, and 15% in photovoltaic solutions.

Plant manufacturing and installation contributed to creating and retaining about **100,000 jobs** in Germany for one year.

Plant operation and maintenance will provide another **3,500 jobs over 20 years**.

About 74% of new jobs come from SME (with up to 500 employees).

RES facilities supported by KfW will **indicatively cut annual electricity imports of Germany by EUR 520m**.

Over 20 years of planned operation of the facilities, **savings on electricity import costs** will reach about EUR 10.4bn.

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### DEG and BCG exploring labour market challenges

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DEG, a subsidiary of KfW, and Boston Consulting Group have prepared a **research** on a pressing issue existing in the labour market of emerging countries that consists in **knowledge and skills of job applicants not matching**

**requirements of private corporate employers**.

The paper reviews best practices in solving the problem of the lack of required business conduct skills in such conditions.

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### KfW finances social housing and shelters for refugees

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KfW continues providing support to the Federal Government of Germany in its efforts to assist federal lands and municipalities in **creating shelters and permanent housing for refugees**, and to speed up their social integration.

To this end, KfW has for the last time increased its support by EUR 500m to a total of **EUR 1.5bn** that were lent to municipalities interest-free.

This support will allow building **shelters for 150,000 people**.

As of 31 December 2015, KfW issued about 550 loans for

EUR 1.045m. The money was allocated to municipalities across all federal lands.

Besides, KfW is planning to step up its support to **social housing construction** to EUR 2bn.

Assisted by funds implementing the housing upgrade programme of the Federal Government of Germany, KfW will extend loans at a **low interest rate** to development institutions of federal lands to finance government social housing programmes.

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### KfW scales up its support to development and particularly environment projects

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In 2015, KfW reconfirmed its role as a global **leader in financing environmental initiatives and climate action**. In

2015, the bank invested **EUR 29.4bn** in this area 2015 r. (up 11% year-on-year).

The total amount of **financial support to development** provided by KfW in 2015 was **EUR 79.3bn** (up 7% year-on-year).

In 2015, KfW allocated EUR 50bn to develop the national economy. The 6% y-o-y growth is in many respects due to higher demand for financial resources in

the commercial and residential sectors.

Demand for financial resources of KfW IPEX-Bank (a member of KfW Group) also remained high in 2015. As a result, KfW's international business grew 9.7% to EUR 27.9bn in 2015.

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### **KfW extends a loan to China to cut down GHG emissions**

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KfW has extended a EUR 150m loan to China as part of its financial relations with emerging economies.

The loan will be used to finance **emission reduction measures in industrial sectors, energy, transport and agriculture**.

These initiatives provide for **cutting coal consumption**, promoting alternative energy and public transport, and developing and putting in place comprehensive monitoring and analysis systems.

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## **6. SUSTAINABILITY IN VNESHECONOMBANK**

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### **Vnesheconombank's Expert Council discussed significance of the Paris Climate Agreement for business**

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The regular **meeting of Vnesheconombank's Expert Council** held on 26 January 2016 in Vnesheconombank held discussions on the topic: **Climate Agreement: New Conditions and Prospects for Business**.

Reports were presented by A. I. Bedritsky, Adviser to the President of the Russian Federation and Special Representative of the President of the Russian Federation for Climate, A. O. Kokorin, Coordinator of the WWF Russia Climate and Energy Programme, V. V. Gavrilov, Sberbank's Director for Management of Energy Saving and Nature Management Projects, V. A. Dormidontov, Energy Head of AO Gazprombank, and O. B. Pluzhnikov, Deputy

Chairman of the EU-Russia Industrialists' Round Table.

The meeting was attended by Vnesheconombank's executives, representatives of governmental ministries and agencies, Russian business, and environmental non-government organisations.

Participants discussed changes that took place in the global economy after the adoption of the Climate Agreement in Paris.

Vnesheconombank's Expert Council pointed out that the international community had reached a consensus as to that **sustainability implies transition to low-carbon economy**.

Key components of a low-carbon economy include: **energy efficiency, energy saving technologies, renewable energy**



**sources, and GHG emission cut-down.**

At the Paris Climate Conference that adopted the agreement, **business has been highly active** and keen to solve sustainability challenges and specifically climate action.

The fourth technological revolution that implies dissemination of information technologies and **wide use of RES** is becoming a priority target for a number of advanced countries.

Environmental indicators, particularly **GHG emission indicators**, are used in business ratings.

The recent years clearly evidence that **investors are refocusing on environmental friendlier** companies.

At the meeting, experts discussed the experience of a leading financial institution of Russia in financing green projects that has identified the **multiplicative effect of investing** in green projects.

Financial support to initiatives with high social and environmental impact **has contributed to commercial investments, recruitment of skilled professionals, new knowledge-intensive jobs and particularly higher global competitiveness of domestic businesses.**

Experts believe that **positive external effects** from implementation of green projects significantly **exceed the amount of government support** required for their implementation.

Additionally, participants of the meeting highlighted that key challenges of the Russian economy include **low technology intensiveness** of many businesses, outdated equipment and **low energy efficiency.**

The transition to advanced technologies will contribute to a material reduction of CO<sub>2</sub> emissions.

Efficient development of RES is impracticable without advancing the key sector in this area, i. e. **power engineering.**

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### **Vnesheconombank took part in the meeting of the Climate Partnership of Russia**

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Representatives of the business community and non-profit organisations that stood for the creation of the **Climate Partnership of Russia** held a meeting in Moscow in late February 2016.

The Partnership seeks to maintain the general course of the 21<sup>st</sup> session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) and **put in place environmental innovations and practices in Russia.**

At the meeting, the parties engaged in heated debate over key climate-related topics, including business optimisation; lower risks of carbon protectionism (higher duties for goods with heavy carbon footprint), **climate financing** and forms of government GHG regulation.

L. Ye. Ovchinnikova, Chairlady of the Global Compact Network Russia, took part in the meeting to represent Vnesheconombank.

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## Nominees to Development Award 2016 short-listed

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The working group of the Development Award has short-listed **30 projects** nominated to Vnesheconombank's awards in eight nominations.

The nominees for the Best Environmental and **Green Technology** Project included:

1. **Project by NMLK to Cut Dust Emissions** (a project by Novolipetsk Steel (NLMK), Lipetsk Region).
2. **Construction of a Solar-Based Hot Water Supply Facility for the Town of Narimanov: Solar Town** (a project by OOO Stroitelno-remontnoye predpriyatiye Termotekhnologiya, Astrakhan Region).
3. **Energy Independent Facility for Disposal of Combined-Type Waste through Anaerobic Conversion into Biomethane Generating a Multi-Purpose Microbiological By-Product** (a project by OOO Kompleksniye Sistemy Utilizatsii, Orenburg Region).
4. **Renovation of the Onega Hydrolysis Plant's facilities for a**

**Fuel Pellet Plant** (a project by OAO Bionet, Arkhangelsk Region).

A total of **303 applications** were submitted to the award from across **62 regions** of Russia.

**Saint Petersburg** and the **Republic of Tatarstan** shared the leadership by the number of short-listed projects.

The nominees from these regions include six applications at a time, three from each region. The Republic of Bashkortostan, Moscow Region, Samara Region and Rostov Region nominated two projects each.

The number of nominees totals 30 companies from across 21 regions of Russia.

The **Development Award** is a national annual award established by Vnesheconombank in 2012.

The award is held to **encourage investment** and build a **favourable investment climate** in Russia.

# APPENDICES

## I. GLOSSARY

**ADB:** Asian Development Bank.

**BAT:** best available technologies.

**BNEF:** Bloomberg New Energy Finance analytical agency.

**COP 21:** United Nations Conference on Climate Change.

**DBSA:** Development Bank of Southern Africa.

**EDB:** Eurasian Development Bank.

**EU:** European Union.

**GDP:** gross domestic product.

**GFI:** London's Green Finance Initiative.

**GFSG:** G20's Green Finance Study Group.

**GIIC:** Green Infrastructure Investment Coalition.

**Green (clean) technologies:** technologies that make a product or a process environmentally friendly or less environmentally negative.

**Green bonds:** debt securities offered by the issuer to finance environmental, climate change and sustainability projects.

**Green Economy:** an economy that promotes social justice and proper life quality for most residents, minimises environmental damage, and efficiently addresses the lack of natural resources (as defined by the United Nations Environment Programme).

**GRP:** gross regional product.

**HPP:** hydro power plant.

**IDBI:** Industrial Development Bank of India.

**IFC:** International Financial Corporation.

**IIRC:** International Integrated Reporting Committee.

**IMF:** International Monetary Fund.

**IRENA:** International Renewable Energy Agency.

**KfW:** German development bank.

**OECD:** Organisation for Economic Cooperation and Development.

**PPP:** public private partnership.

**RES:** renewable energy source.

**SCO:** Shanghai Cooperation Organisation.

**SDG:** Sustainable Development Goals.

**SGX:** Singapore Exchange.

**SME:** small- and medium sized enterprises.

**South Africa:** South African Republic.

**UAE:** United Arab Emirates.

**UN PRI:** UN Principles for Responsible Investment Initiative.

**UN:** United Nations (Organisation).

**UNEP FI:** United Nations Environment Programme Finance Initiative.

**US:** United States.

**VEB:** Vnesheconombank.

## II. SUSTAINABLE DEVELOPMENT EVENT SCHEDULE FROM APRIL TO JULY 2016

Date	Event	Venue
3-5 April	Asia Pacific Forum on Sustainable Development	Bangkok, Thailand
5-8 April	12 <sup>th</sup> meeting of the Technology Executive Committee	Bonn, Germany
11-12 April	High-level Thematic Debates on the implementation of commitments relating to sustainable development, climate change, and financing	New York, US
18-20 April	ECOSOC forum on Financing for Development	New York, US
21 April	High Level Thematic Debate on Achieving the Sustainable Development Goals	New York, US
22 April	Signature ceremony for the Paris Climate Agreement	New York, US
26-29 April	ECOTECH 2016 International Exhibition and Forum	Moscow, Russia
27 April	UN PRI's event on responsible investment for pension funds	London, UK
May–July	A Global Workshop Series of UN PRI to discuss the responsible investment plan for the next decade	21 cities
4 May	Global Compact: Looking into the future of Corporate Sustainability	Prague, Czech Republic
4-5 May	Investors' Summit: Future Cities	Dubai, UAE
4-5 May	Ceres conference 2016	Boston, US
5-6 May	Climate Action 2016	Tokyo, Japan
5-6 May	UN Global Compact: Europe – Local Networks Regional Meeting	Prague, Czech Republic
10 May	ECE Regional Forum on Sustainable Development	Geneva, Switzerland
10 May	UN Global Compact: MENA – Local Networks Regional Meeting	Dubai, UAE
10-13 May	IRENA Innovation Week: The Age of Renewable Power	Bonn, Germany
13 May	Workshop on responsible real estate investment	Sidney, Australia
17 May	Conference on Mobilising Sustainable Bioenergy Supply Chains in Agriculture	Rome, Italy
17 May	IIGCC's Annual General Meeting	London, UK

Date	Event	Venue
18-20 May	GRI Global Conference 2016	Amsterdam, Netherlands
25-26 May	Responsible Investment Forum	London, UK
26 May	Forum on Investment Opportunities in Least Developed Countries	Antalya, Turkey
29-30 May	ESCWA Regional Forum on Sustainable Development	Amman, Jordan
30 May – 1 June	OECD Forum 2016: Productive Economies, Inclusive Societies	Paris, France
2-3 June	3 <sup>rd</sup> International Conference on Energy Saving and RES Financing Projects in Russia and CIS Countries	Moscow, Russia
16 June	ICMA Workshop: Ethics and the Capital Markets	Frankfurt-am-Main, Germany
16 June	Green Bond Principles: 2nd Annual General Meeting & Conference	London, UK
21 June	UN PRI 10-year anniversary	London, UK
22-23 June	PRI Europe 2016: Investing in the future	London, UK
22-23 June	UN Global Compact Leaders Summit 2016	New York, US
7-9 July	Sustainable Development Conference 2016	Kuching, Malaysia
11-20 July	High-level Political Forum on Sustainable Development (HLPF 2016)	New York, US
14-15 July	Global Sustainable Finance Conference	Karlsruhe, Germany
17-22 July	Fourteenth session of the United Nations Conference on Trade and Development (UNCTAD 14)	Nairobi, Kenya
18 July	<i>Partnership Exchange: Supporting the Sustainable Development Goals through Multi-Stakeholder Partnerships – Ensuring That No One Is Left Behind</i>	New York, US
18-22 July	ECOSOC High-level segment 2016	New York, US
20 July	Executive Dialogue on Green Finance as part of the World Investment Forum 2016	Nairobi, Kenya

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### III. CONTACT INFORMATION

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Vnesheconombank's sustainability archive can be found at:  
[www.veb.ru/analytics/strman/#kso](http://www.veb.ru/analytics/strman/#kso).

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