



**BANK  
FOR DEVELOPMENT**



**VNESHECONOMBANK  
GROUP'S  
NON-FINANCIAL REPORT**

**2015**





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## Address by Sergey Gorkov, Chairman of Vnesheconombank

Honorable colleagues and partners!

I am pleased to present to you the VEB Group's Non-financial Report 2015. The publication of the report is further evidence of our commitment to the sustainability principles. The report describes the VEB Group's contribution to boosting Russia's economy, increasing living standards and improving the environment and openly discusses the most urgent problems we face and the measures we are taking to address them.

For us, 2015 was a very challenging year. VEB operated under economic sanctions, which prevented the Group's access to most of the global capital markets. Furthermore, the Bank's financial position was impacted by accumulated distressed assets. However, VEB continued to play the role of a key investor in major projects aiming to promote the national manufacturing and exports sector.

Consequently, by the end of 2015, VEB managed to reach targets in terms of the development bank's project finance and export guarantees. Yet, the Bank's financial position continued to deteriorate signaling that VEB's old business model based on attracting market funding at high enough rates and investing in low

income projects failed to operate in new economic environment and had to be revised.

Having analysed Russia's economic needs and assessed VEB and other development banks' performance, we have developed a new business model. It provides for the Bank's central focus on key Russian industries, in particular, infrastructure, high value added production and high-tech exports. In these segments, we have a central role to play.

Concurrently, we have to substantially modernise our investment processes to become not only a lender to the national economy but also a development project moderator. The Bank will take a completely new approach to every stage of project administration. We will offer our customers industry expertise and comprehensive solutions comprising VEB's financial products, assistance in co-finance structuring, and government support measures. Eventually, it will take project preparation at VEB to a whole new level, thus reducing the risks assumed.

When selecting projects to finance, we will also look at their contribution to sustainable development and energy

efficiency. This would help us successfully unlock the potential of the financial development institution designed to promote long-term economic growth in harmony with the environment and for the benefit of generations to come.

Admittedly, it is a challenging task, and for this to succeed we would need the concerted efforts of the whole team. VEB's new corporate values defined by the employees in an open discussion can serve as our guidelines along the journey. The new values are reflective of our aspiration to change, produce ingenious solutions, and achieve impressive results as well as build up partnership relations with our customers and foster an atmosphere of confidence and team spirit.

I believe it is of fundamental importance that patriotism has become one of the six corporate values we will be guided by in our work. It is reflective of how we see the unique mission of VEB as a state development institution. Today, we are faced with the task of becoming an efficient and viable engine for growth and transformation of the Russian economy. It is an inspiring challenge that would call for our ongoing development and performance improvement.

Sergey Gorkov,  
Chairman of  
Vnesheconombank



## About the Report

This Vnesheconombank Group Non-financial Report 2015 has been prepared in line with the Global Reporting Initiative (GRI) Guidelines (version G4), (“Core” disclosure level) and the GRI Financial Services Sector Supplement. The Report also discusses Vnesheconombank Group’s performance in achieving the principles of the UN Global Compact on human rights, labour, environment and anti-corruption. The Report is partially based on AA 1000 standards and elements of the International Integrated Reporting Standard.

The Report has been prepared in line with the Regulations on Vnesheconombank Group’s Sustainability Report as approved by Vnesheconombank’s Order No. 630 of 8 July 2014. The Report has been verified by the Internal Control Service of Vnesheconombank (Appendix 14), reviewed by Vnesheconombank’s Management Board on 29 September 2016 and approved by Vnesheconombank’s Order No. 583 of 10 October 2016.

For the purposes of this Report, Vnesheconombank Group includes Vnesheconombank and Vnesheconombank’s subsidiaries that operate under provisions of Federal Law No. 82-FZ “On Bank for Development” dated 17 May 2007\*.

The Report’s boundaries have been changed as compared to the previous reporting period\*\*:

- / now the Report also discloses information on the Russian Export Centre (REC) that joined Vnesheconombank Group in April 2015;
- / the Report does not disclose data for JSC Export Insurance Agency of Russia (EXIAR) as in December 2015 100% of its equity were divested to REC, and for Eximbank of Russia as that was a subsidiary of EXIAR as of late 2015, except for information on their support to exports and implementation of sustainability initiatives.

When determining the Report’s scope, we were guided by GRI Guidelines and best practices of Russian and foreign financial institutions. All stages of determining the scope of the Report, identifying material aspects and relevant Standard Disclosures of the GRI Guidelines were documented. The correctness of the approach selected and that of all of its stages has been corroborated by audits.

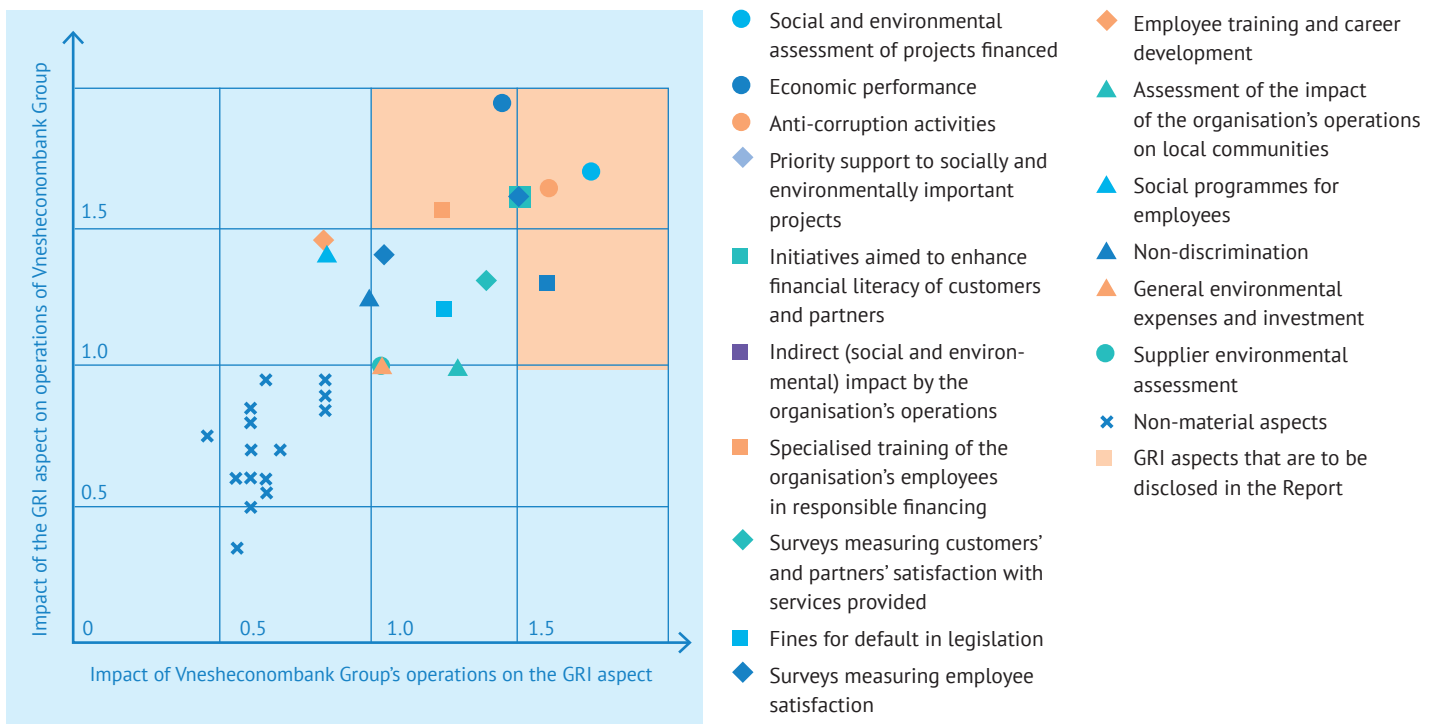
\* The definition of Vnesheconombank Group does not match the definition of bank group, or financial and industrial group under Russian laws, or the definition of Vnesheconombank Group given in its financial statements prepared under the Russian Accounting Standards and the International Financial Reporting Standards.

\*\* Quantitative data for 2013–2014 is shown in the Report within the reporting boundaries of previous periods.

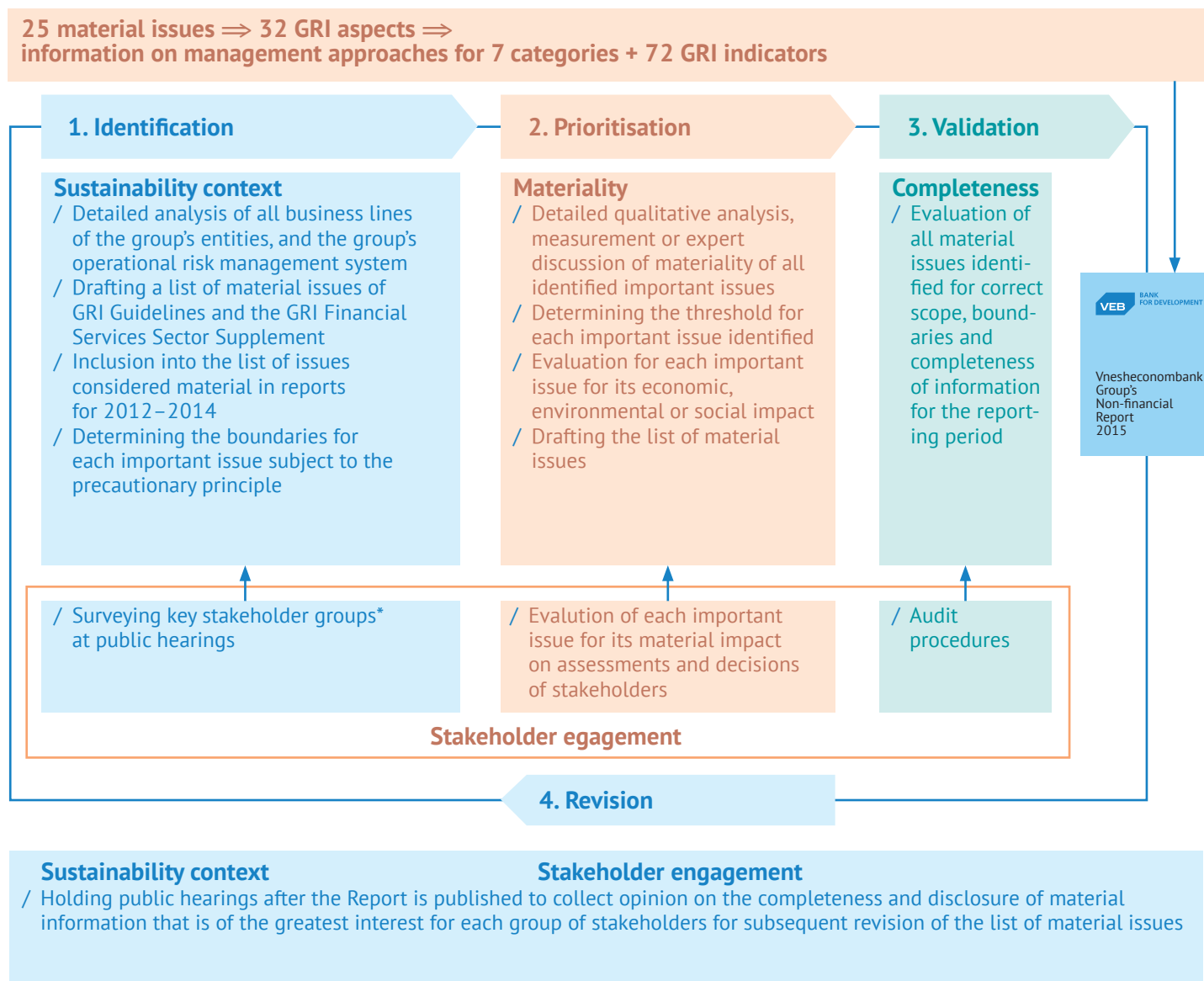
## Report boundaries

Vnesheconombank	LLC VEB Engineering (VEB Engineering)
JSC Russian Bank for Small and Medium Enterprises Support (SME Bank)	LLC Investment Company of Vnesheconombank 'VEB Capital' (VEB Capital)
JSC GLOBEX Commercial Bank (Globexbank)	JSC Federal Centre for Project Finance (FCPF)
PJSC AKB Sviaz-Bank (Sviaz-Bank)	Russian Direct Investment Fund (RDIF) managed by LLC RDIF Management Company
OJSC Bank BelVEB (BelVEB)	OJSC North Caucasus Development Corporation (NDC)
PSC Prominvestbank (Prominvestbank)	OJSC The Far East and Baikal Region Development Fund (The Far East and Baikal Region Development Fund)
JSC Russian Export Centre (REC)	VEB-Innovations Fund (VEB-Innovations Fund)
JSC VEB-Leasing (VEB-Leasing)	VEB Asia Limited (VEB Asia)

## The map of identified material issues and relevant aspects of GRI



## Procedure for determining the scope of information and data to be included in the Report



\* Information on key groups of stakeholders is given in the Stakeholder Engagement section.



**1**

Business Lines  
of Vnesheconombank  
Group



## 1.1 Key Performance Indicators of Vnesheconombank Group

Since 2007, Vnesheconombank has been operating as a development financing institution with a wide mandate to support the implementation of the social and economic government policy, give the competitive edge to, and modernise, the national economy based on sustainability principles. In its activities, the Bank is guided by national interests while supporting programmes and projects that are vital for the country's development.

In 2015, Vnesheconombank Group's net profit under IFRS was

**14.9** RUB  
bn.

These results were to a great extent due to the decision of the Russian Government to extend the maturity of deposits placed with the Bank by the National Wealth Fund for another five years.

Vnesheconombank operates under Federal Law No. 82-FZ "On Bank for Development" of 17 May 2007 that provides for the Bank's special status in acting as the national development financing institution. The Bank focuses on ambitious investment projects to boost the growth in key industrial sectors and strategically important regions. The Bank's support to the real sector is becoming particularly important on the back of growing pressure on the Russian economy by adverse external factors that put a heavy drag on domestic investment processes.

Our priorities for 2015 were driven by the Bank's development strategy built in 2014. Its modernisation scenario assumed a stronger role of the Bank as a long-term creditor to the national economy investing in such key areas as infrastructure development and support to innovations and import substitution. As part of its strategy, Vnesheconombank also focused on supporting national non-commodity exports, while promoting the non-trading segment of small- and medium-sized enterprises and building the market of public private partnership projects.

In addressing our strategic goals, we rely on capabilities and potential of the Bank's subsidiaries that form Vnesheconombank Group. They primarily include the Russian Export Centre set up in 2015, EXIAR and Eximbank of Russia, which, brought together, form a framework of integrated support to Russian exporters. Issues related to the development of small- and medium-sized enterprises are handled by

SME Bank, the Bank's subsidiary that acts as Vnesheconombank's agent in putting in place our programme for financial support to SME. The Far East and Baikal Region Development Fund, North Caucasus Development Corporation, Federal Centre for Project Finance and the Single-Industry Town Development Fund launched in 2015 handle issues related to the creation of new economic growth centres in Russian regions.

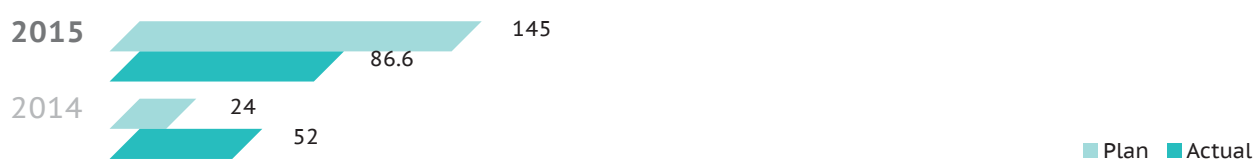
Although Vnesheconombank was operating under international sanctions that barred the Bank's and the Group's access to most international capital markets, we were able to achieve most of our strategic targets. The only exception was the size of the Bank's export support loan portfolio that failed to achieve the strategic target due to sanction restrictions and the overall economic and geopolitical downturn. The Bank had to revise its strategy due to a drop in liquidity which is necessary to service the Bank's international obligations, and an increase in distressed assets from the financing of special projects that are of priority importance for the national economy, but do not meet the requirements to risk and yield.

## Strategic performance of Vnesheconombank in 2014–2015

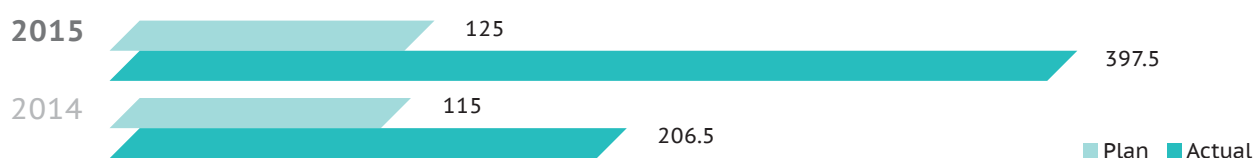
### Loan portfolio of Vnesheconombank, RUB bn



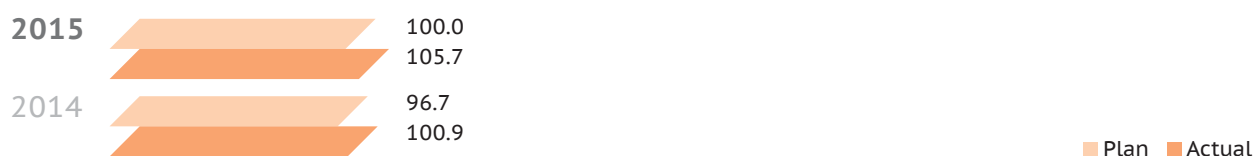
### Export support loan portfolio, RUB bn



### Export support guarantee portfolio, RUB bn\*



### Loans issued to SME, RUB bn



## Building our new strategy

In 2016, Vnesheconombank began building a new development strategy to increase its financial stability in a challenging international trade environment. The new strategy provides for changes in the Bank's business model by tapping into cheaper funding sources, including in the domestic market, and by restructuring distressed assets and streamlining business processes. The strategy is developed under the leadership of Sergey Gorkov, appointed Chairman of Vnesheconombank by an Executive Order of Russian President Vladimir Putin in February 2016.

Our new development strategy will seek to further enhance performance by the Bank of its functions as the national development financing institution. In 2016, given the importance of functions performed by the Bank, the Russian Ministry of Finance approved RUB 150 bn of subsidies to be provided to the Bank, which includes RUB 74 bn received in Q1 2016. This helped the Bank to overcome its liquidity issues and maintain the capital adequacy ratio set out in the covenants for international loans.

\* The amount of guarantee support to exports includes contingent liabilities of Vnesheconombank under a guarantee with a USD 10 bn liability limit issued to secure EXIAR's commitments under agreements made for insurance support to exports.

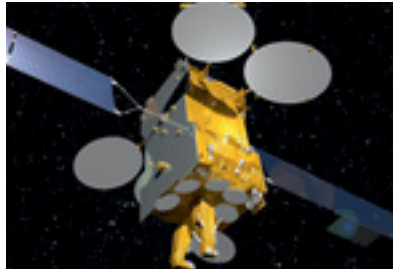
# Key events at Vnesheconombank Group in 2015

● Vnesheconombank and Bryansk Meat Company signed a USD 425.8 mn loan agreement for a project for Increase in the Capacity of a Highly Productive Cattle Stock Facility and a Cattle Slaughtering and Primary Processing Facility



January

● The new Russian telecommunication satellite Express-AM7 that was built with financial support by Vnesheconombank was successfully put into orbit



March

● Vnesheconombank and the Export-Import Bank of China signed a CNY 3.9 bn credit facility agreement to finance a project for Organisation of Metallurgical Manufacturing of Manganese Ferro-Metals Used in Special Steel Making



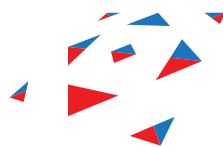
May

● The Single-Industry Town Development Fund founded by Vnesheconombank in 2014 held a presentation and engaged in active operations



February

● Following a relevant decision of the Government of the Russian Federation, the Bank set up the Russian Export Centre to offer Russian exporters a full range of financial and non-financial services on a one-stop basis



RUSSIAN EXPORT CENTER

April

● The Development Award ceremony established by Vnesheconombank for implementation of the best projects in various economic sectors was held at the St. Petersburg International Economic Forum

June





## Key performance indicators of Vnesheconombank

Vnesheconombank has been acting as the national development bank since

# 2007

Vnesheconombank's headcount is

# 2,065

 employees

### PROJECT PORTFOLIO

Vnesheconombank's loan portfolio is



## 2,432.8

 RUB bn

Including:

the development bank project portfolio –

## 1,355.5

 RUB bn

and the special project portfolio –

## 1,077.3

 RUB bn

Since 2007, Vnesheconombank has approved the financing of

## 338

 projects for a total of


## 6,629.5

 RUB bn,

with the Bank's commitment standing at

## 3,325.9

 RUB bn

The budgetary effect of the projects is RUB 475.8 bn

These projects created 87,721 jobs

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

## 46

 environmental stewardship and energy efficiency projects for a total of


## 1,551.2

 RUB bn,

with the Bank's commitment of

## 1,058.3

 RUB bn

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

## 52

 innovation support projects for a total of


## 1,544.8

 RUB bn,

with the Bank's commitment standing at

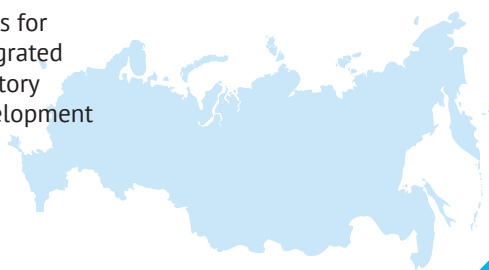
## 709.6

 RUB bn

## TERRITORY DEVELOPMENT

Vnesheconombank, jointly with executive authorities of Russian regions and entities of the Group, is involved in the implementation of

**5** plans for integrated territory development



## SUPPORT TO SINGLE-INDUSTRY TOWNS

Vnesheconombank's project portfolio in single-industry towns includes

**41** projects for a total of



**780.21** RUB bn,

with the Bank's commitment standing at

**426.05** RUB bn

## SUPPORT TO EXPORTS

Vnesheconombank's support to exports amounts to



**484.1** RUB bn

Including:

export support loan portfolio –

**86.6** RUB bn

export guarantee portfolio –

**397.5** RUB bn

## SUPPORT TO SME

Financial support allocated to SME under a relevant programme:

**604.8** RUB bn

The support was provided to more than

**56** thousand SME entities

The programme is implemented in

**85** Russian regions, including

**174** single-industry towns

## Key results of Vnesheconombank Group's entities in 2015

## SUPPORT TO EXPORTS


Russian Export  
Centre (REC)

REC was set up in April 2015 following a relevant decision by the Government of the Russian Federation to offer Russian exporters a full range of financial and non-financial services on a one-stop basis.

In its operations, REC focuses on building a comprehensive framework of support to exports within Vnesheconombank Group. In addressing this task, REC coordinates operations of EXIAR and Eximbank of Russia, the Group's entities that offer lending and insurance services to exporters

In 2015, REC received about **540** applications for support to Russian companies operating in the international market.

Over the year, REC was consistently providing support to promote export projects based on more than **200** applications, including **38** projects of **27** companies that envisaged signing bilateral individual support plans

 Head office  
location: Moscow

Authorised capital:  
RUB **3,000** mn

Vnesheconombank's share:  
**100%**

Headcount:  
**36**

## SUPPORT TO SME

## SME Bank


SME Bank seeks to improve availability of long-term financial resources to SME under the programme for financial support to SME and the guarantee support mechanism for medium-sized enterprises (ME)

Since the launch of the programme, a total of

RUB **604.8** bn were allocated to more than **56** thousand SMEs.

The amount of funds allocated to ME against SME Bank's guarantee was

RUB **6.7** bn

 Head office  
location: Moscow

Authorised capital:  
RUB **19,240** mn

Vnesheconombank's share:  
**100%**

Headcount:  
**387**

## SUPPORTING INNOVATIONS


VEB-Innovations  
Fund

VEB-Innovations Fund invests in knowledge-intensive projects of Skolkovo Foundation aimed to support the innovative development and modernisation of the Russian economy

In 2015, VEB-Innovations Fund took part in the financing of

**5** projects of Skolkovo Foundation for a total of RUB 641.6 mn, with VEB-Innovations Fund's commitment standing at

RUB **139.4** mn



 Head office  
location: Moscow

Contribution by the sole founder (Vnesheconombank):  
RUB **1,000** mn


Vnesheconombank's share:  
**100%**

Headcount:  
**18**



## REGIONAL DEVELOPMENT

<p><b>The Far East and Baikal Region Development Fund</b></p>	<p>The Fund's activities are aimed at accelerating the development in the Far Eastern Federal District.</p> <p>The Fund supports projects that provide considerable social and economic effect in the region</p>	<p>In 2015, the Fund took part in the financing of <b>7</b> projects for a total of RUB 87.8 bn, with the Fund's commitment standing at RUB <b>11.3</b> bn</p>	<p> Head office location: Moscow</p> <p>Authorised capital: RUB <b>15.5</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>58</b></p>
<p><b>North Caucasus Development Corporation (NCDC)</b></p>	<p>NCDC aims to encourage economic development in North Caucasus regions by attracting investors and engaging in production and infrastructure projects</p>	<p>In 2015, NCDC's investment portfolio included <b>5</b> projects for a total of RUB 26.3 bn, with NCDC's commitment standing at RUB <b>4.96</b> bn</p>	<p> Head office location: Yessentuki</p> <p>Authorised capital: RUB <b>7,600</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>42</b></p>
<p><b>JSC Federal Centre for Project Finance (FCPF)</b></p>	<p>FCPF assists government and local self-government authorities in preparing regional and urban development projects for their subsequent implementation with non-government funding</p>	<p>As of late 2015, FCPF approved its involvement in the preparation of <b>38</b> projects for regional and urban development, with FCPF's investment coming at RUB <b>7.2</b> bn</p>	<p> Head office location: Moscow</p> <p>Authorised capital: RUB <b>4,928</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>96</b></p>


## EVALUATING AND MONITORING INVESTMENT PROJECTS

<p><b>VEB Engineering</b></p>	<p>VEB Engineering provides engineering and advisory services to Vnesheconombank Group's entities and other major investors operating in key Russian economic sectors to support investment projects</p>	<p>In 2015, VEB Engineering provided project support services for the amount of RUB <b>187.64</b> mn, including RUB 98.81 mn for projects of Vnesheconombank and the Group's entities</p>	<p> Head office location: Moscow</p> <p>Authorised capital: RUB <b>148</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>42</b></p>
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## RAISING FOREIGN INVESTMENT

<b>Russian Direct Investment Fund (RDIF)</b>	<p>RDIF's operations seek to raise foreign investment in the Russian economy.</p> <p>RDIF's support to projects provides for mandatory involvement of major institutional investors in their co-financing</p>	<p>In 2015, RDIF raised USD 10 bn of investments by the sovereign fund of Saudi Arabia into the Russian economy and successfully negotiated a twofold increase in the commitment by the sovereign fund of Kuwait (to USD 1 bn). The Fund also approved and financed more than 10 projects</p>	<p> Head office location: Moscow</p> <p>Authorised capital: RUB <b>300</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>141</b></p>
<b>VEB Asia</b>	<p>VEB Asia solicits investors from Asian-Pacific countries to engage them in the financing of ambitious projects in Russia, while contributing to the promotion of national exports in East and South-East Asian markets and preparing the foothold to expand access by Russian issuers to the Hong Kong stock market</p>	<p>In 2015, VEB Asia initiated the signing of a memorandum of understanding between Vnesheconombank, REC, the government of the province of Guangdong and Sinotrans to set up a Russian commercial and financial platform in Guangdong. The implementation of this initiative will facilitate the promotion of Russian exports in Asian markets</p>	<p> Head office location: Hong Kong</p> <p>Authorised capital: RUB <b>966</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>6</b></p>

## MANAGING DISTRESSED AND NON-CORE ASSETS

<b>VEB Capital</b>	<p>VEB Capital manages distressed and non-core assets of Vnesheconombank Group to increase their market value and recover relevant investments</p>	<p>In 2015, VEB Capital and China Communications Construction Company Ltd. signed a cooperation agreement providing for joint implementation of a project for construction of a multi-purpose facility within the territory of MOAO Slava (Second Watch Factory)</p>	<p> Head office location: Moscow</p> <p>Authorised capital: RUB <b>10,986</b> mn</p> <p>Vnesheconombank's share: <b>100%</b></p> <p>Headcount: <b>65</b></p>
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## PROMOTING THE LEASE SERVICES MARKET

<b>VEB-Leasing</b>	<p>VEB-Leasing promotes lease services as a standalone business line of Vnesheconombank Group. The company operates in the most popular segments of the industry, including lease of rolling stock, aircraft, cars and trucks, and offers retail lease services to SMEs</p>	<p>In 2015, VEB-Leasing retained its leadership in the Russian market by size of lease transactions and new business.</p> <p>As of late 2015, the amount of the company's gross investments in lease was RUB 453.6 bn</p>	<p> Head office location: Moscow</p> <p>Authorised capital: RUB <b>9.5</b> mn</p> <p>Vnesheconombank's share: <b>86.75%</b></p> <p>Headcount: <b>1,413</b></p>
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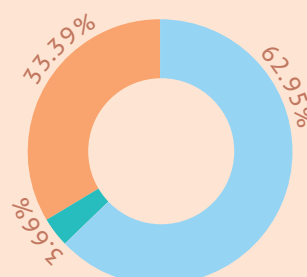
## UNIVERSAL RUSSIAN COMMERCIAL BANKS

## Sviaz-Bank

In 2015, Sviaz-Bank ranked 25th by asset size and 34th by equity size in the Interfax-100 rating.

The Bank also ranks among TOP-3 in terms of loan issuance under the Military Mortgage Programme and TOP-5 by the amount of mortgage loans issued under the Government-Backed Mortgage Programme

## Monetary value of the loan portfolio



- Corporate customers (RUB 142.7 bn)
- SME (RUB 8.3 bn)
- Retail customers (RUB 75.7 bn)

📍 Head office location: Moscow

Authorised capital: RUB 29,026 mn

Vnesheconombank's share: 99.65%

Headcount: 3,805

Customer base: corporate –

723

SME –

447

retail –

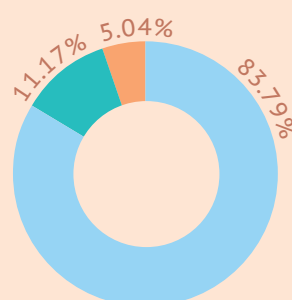
516,686

## Globexbank

In 2015, Globexbank ranked 36th by asset size in the Interfax-100 rating.

The bank was also awarded by Expert RA rating agency for Active Engagement in the Mortgage Lending Market and for Active Engagement in the Government Programme for Mortgage Rate Subsidising

## Monetary value of the loan portfolio



- Corporate customers (RUB 131.3 bn)
- SME (RUB 17.5 bn)
- Retail customers (RUB 7.9 bn)

📍 Head office location: Moscow

Authorised capital: RUB 15,101 mn

Vnesheconombank's share: 99.99%

Headcount: 2,073

Customer base: corporate –

441

SME –

16,568

retail –

32,676

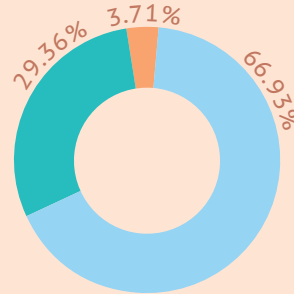
## UNIVERSAL FOREIGN COMMERCIAL BANKS

**BelVEB**

In 2015, BelVEB ranked 5th among Byelorussian banks by assets, equity and capital stock size, and 7th by customer deposits.

The amount of investment by BelVEB to support Russian-Byelorussian integration projects achieved RUB 53.1 bn, which is equivalent to 47.3% of total corporate financing.

The Bank also allocated USD 59 mn to support Russian exports to the Republic of Belarus

**Monetary value  
of the loan portfolio**

- Corporate customers  
(RUB 59.5 bn)
- SME  
(RUB 26.1 bn)
- Retail customers  
(RUB 3.3 bn)



Head office  
location: Minsk

Authorised capital:

RUB 18,527 mn

Vnesheconombank's share:

97.52%

Headcount:

2,382

Customer base:

corporate –

335

SME –

23,140

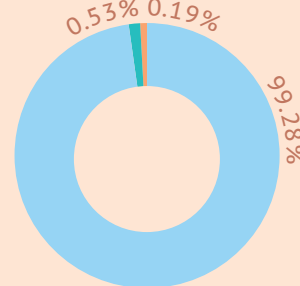
retail –

372,863

**Prominvestbank**

In 2015, despite a challenging economic and political environment, Prominvestbank remained a systemically important bank of Ukraine ranking among TOP-10 banks of the country.

Over the year, the bank took steps to scale down its business and cut costs. In the mid-term, the bank needs to maintain its solvency, liquidity and capitalisation

**Monetary value  
of the loan portfolio**

- Corporate customers  
(RUB 180.8 bn)
- SME  
(RUB 0.955 bn)
- Retail customers  
(RUB 0.353 bn)



Head office  
location: Kiev

Authorised capital:

RUB 62,407 mn

Vnesheconombank's share:

99.39%

Headcount:

2,388

Customer base:

corporate –

3,275

SME –

6,300

retail –

307,336



## 1.2 Corporate Social Responsibility Framework

In our view, integrating sustainability principles and building a robust corporate social responsibility (CSR) framework at Vnesheconombank is a pivotal pre-requisite for the Bank to successfully operate as the national development financing institution. Due to the large scale of the tasks it handles, the Bank has a material impact on the social and economic well-being of population and on environment, which makes it particularly responsible for capturing the interests of the wider universe of stakeholders in its operations.

In 2015, Vnesheconombank drafted a

### **Sustainability Roadmap**

that determines the Bank's further steps in building its CSR framework and integrating sustainability principles in its operations.

In 2015, Vnesheconombank completed the implementation of its Corporate Social Responsibility Strategy for 2012–2015 designed to integrate the best CSR and sustainability practices in the Bank's operations. The strategy reflected that the Bank operated as a development financing institution and included a wide range of environmental, social and responsible business initiatives.

As part of its CSR strategy, Vnesheconombank was the first among Russian financial institutions to start implementing responsible financing in its credit and investment operations and joined the major international sustainability initiatives: the UN Global Compact and the United Nations Environment Programme Finance Initiative (UNEP FI). The strategy's priorities also include integrating the green office principles in the Bank's general and administrative operations and promoting the best CSR and sustainability practices across the Russian business community.

In December 2015, Vnesheconombank approved its Sustainability Roadmap to further promote its efforts in areas that

have proven efficient when implementing the CSR strategy and addressing new tasks of improving the quality of its credit and investment portfolio. In developing the Roadmap, the Bank was guided by leading Russian sustainability standards and initiatives, including ISO 26000 Social Responsibility, principles of the UN Global Compact, Guide to Banking and Sustainability of UNEP Finance Initiative, Equator Principles and the UN Principles for Responsible Investment.

Steps provided for under the Roadmap are designed to bring Vnesheconombank's sustainability competences to the level of major international financial institutions. This task will be addressed both by further improving the management of environmental and social risks associated with projects financed by the Bank, and by increasing the share of projects in the Bank's portfolio that lead to considerable social, economic and environmental improvements. We are also planning to keep promoting sustainability principles at the national and international levels to promote a better image of the Bank as a Russian CSR leader and a stronger investment case for the Bank.

## Input by Vnesheconombank Group in achieving sustainable development goals

### ECONOMIC COMPONENT OF SUSTAINABILITY

- / Increase in taxes from investment projects, SME development, support to exports, etc.
- / Improved investment case of the Russian economy and new foreign investments
- / Higher export capabilities of the economy and support to import substitution
- / Assistance in economic modernisation as a result of innovation support projects
- / Investments in the development of economically depressed regions and single-industry towns

### ENVIRONMENTAL COMPONENT OF SUSTAINABILITY

- / Implementation of environmental stewardship and energy efficiency projects
- / Implementation of green office practices in the general and administrative operations of the Group's entities aimed at reducing their environmental footprint

### SOCIAL COMPONENT OF SUSTAINABILITY

- / New jobs created by investment projects and SME development
- / Social infrastructure created by investment projects
- / Security of pensions savings
- / Higher financial literacy of investment project participants and youth
- / Implementation of responsible employment practices with respect to the Group's employees
- / Charitable and sponsorship projects
- / Volunteer projects

## Sustainability performance and outlooks of Vnesheconombank

### Results of Vnesheconombank's CSR Strategy for 2012–2015

<b>Responsible financing</b>	<ul style="list-style-type: none"> <li>/ Approving Responsible Financing Policy</li> <li>/ Developing draft guidelines for environmental and social evaluation of investment projects</li> </ul>
<b>Involvement in the activities of the United Nations Environment Programme Finance Initiative (UNEP FI)</b>	<ul style="list-style-type: none"> <li>/ Implementing a series of trainings jointly with UNEP FI on responsible financing involving representatives of Russian financial institutions</li> <li>/ Initiating Russian translation and adaptation of the UNEP FI Guide to Banking &amp; Sustainability</li> </ul>
<b>Involvement in the activities of UN Global Compact (UNGC) and its Russian network led by Vnesheconombank since 2013</b>	<ul style="list-style-type: none"> <li>/ Ensuring involvement by delegations of the Global Compact Network Russia in high-profile international events supported by the United Nations, and interaction with representatives of other national networks and UNGC's head office in New York</li> <li>/ Holding a series of events involving representatives of the Russian business community on compliance with UNGC principles</li> <li>/ Working on transforming the Global Compact Network Russia into a standalone legal entity and drafted founding documents of the Global Compact National Network Association</li> <li>/ Designing the official style of the Global Compact Network Russia, launched a bilingual web-site of the Network and published a brochure in English on the Network's activities and a number of information materials</li> </ul>
<b>Promotion of non-financial reporting practices across Vnesheconombank Group</b>	<ul style="list-style-type: none"> <li>/ Switching to the new version of the international sustainability reporting standard, GRI G4</li> <li>/ Implementing the practice of stakeholder engagement events as part of preparing non-financial reports of Vnesheconombank Group</li> </ul>
<b>Implementation of best green office practices</b>	<ul style="list-style-type: none"> <li>/ Approving the Corporate Environmental Policy of Vnesheconombank aimed at reducing the environmental footprint of the Bank's general and administrative activities</li> </ul>

### Priority areas for implementation of Vnesheconombank's Sustainability Roadmap

- / Sustainability project financing
- / Positioning Vnesheconombank as a sustainability-driven entity
- / Promoting sustainability principles in the business community and building a high-quality professional environment in the financial sector
- / Developing responsible financing practices at Vnesheconombank
- / Integrating sustainability principles in personnel management and general and administrative operations of Vnesheconombank
- / Implementing support measures

## Best CSR practices across Vnesheconombank Group's entities

### INTEGRATING CSR INTO THE GOVERNANCE SYSTEM

- / **BelVEB** has in place Regulations on the Corporate Social Responsibility Policy and Non-Financial Reporting, and CSR Strategy for 2016–2018
- / The Corporate Social Responsibility and Sustainability Policy applied at **SME Bank** provides for the bank's engagement in socially and environmentally important projects

### ENVIRONMENTAL AND SOCIAL EVALUATION OF PROJECTS

- / **EXIAR** has in place Regulations on Evaluation of Environmental and Social Impact of Export Loans and Investments based on the OECD's guidelines. In 2015, EXIAR held a training course on Issues of Environmental and Social Impacts of Export Loans and Investments for 42 employees
- / **BelVEB** conducts the environmental and social evaluation of projects financed by it under a loan agreement with the European Bank for Reconstruction and Development (EBRD). In 2015, BelVEB designed a remote training course, Rules for Loans out of Funds Provided by the EBRD under the BelSEFF Programme. The course was completed by 102 employees
- / In 2015, **FCPF** approved an order On Improving the Procedure for Evaluation of Social and Economic Effects of Projects Involving JSC FCPF and evaluated all projects approved over the year

### GREEN OFFICE

- / In 2015, **EXIAR** developed its Green Office plan to enhance environmental efficiency of its general and administrative activities
- / In 2015, **The Far East and Baikal Region Development Fund** put in place the practice of environmental certification of goods and services purchased by it

### NON-FINANCIAL REPORTING

- / **BelVEB** has been publishing its sustainability reports since 2011 in line with the international standard GRI
- / **SME Bank** has been publishing non-financial reports under GRI since 2013

## Vnesheconombank Group's awards for corporate social responsibility and sustainability received in 2015

### VNESHECONOMBANK

- / Vnesheconombank Group's Sustainability Report for 2014 won the 18th Annual Report Competition organised by the Moscow Exchange and RCB media group as The Best Corporate Social Responsibility and Sustainability Report, and received Gold at MarCom Awards-2015

### NCDC

- / NCDC won the international award "Investment Angel" in the category For Contribution in Sustainable Development for import substitution and regional development support projects in the North Caucasus

### VNESHECONOMBANK

- / Vnesheconombank won the Green Office – 2015 award of the Department for Environmental Management and Protection of Moscow for the Best Responsible Procurement System

### SVIAZ-BANK

- / Sviaz-Bank won its third annual Residential Property Award at RREF AWARDS in the Affordable Loan category, and was among the winners of the Banks of the Year award held by Banki.ru information web-portal in the Mortgage Loan of the Year category for its Your Mortgage programme

### VEB-LEASING

- / VEB-Leasing was awarded by Expert-RA rating agency as The Leasing Market Leader in the SME Segment based on a survey on Lending to Small- and Medium-Sized Enterprises in Russia in 2015 and as The Small-Size Enterprise Leader based on the results of the Leasing in Russia – 2015 survey

### BELVEB

- / BelVEB was awarded the certificate as The Patron of the Byelorussian Culture of the Year 2014 by the Ministry of Culture of the Republic of Belarus and the Prize of the International Social and Economic Foundation "Idea" in the category "The Best CSR Project. Culture" for the project "Jazz Band Nights with

### VNESHECONOMBANK

- / Vnesheconombank was assigned the Guaranteed Transparency category of National Procurement Transparency Rating – 2015 among companies that operate under Federal Law No. 223-FZ for procurement purposes

### GLOBEXBANK

- / Globexbank was awarded by Expert RA rating agency for Active Engagement in the Mortgage Lending Market and for Active Engagement in the Government Programme for Mortgage Rate Subsidising

### BELVEB

- / BelVEB came first in the 4th Republican Contest Polite Banks of the Association of Byelorussian Banks that evaluated performance of bank call centres in the Republic of Belarus

### SME BANK

- / SME Bank won a Banking award established by Bankovskoye obozreniye magazine in the Industry Media Relations category



# 2

## Investing in Development





## 2.1 Investment Management

As the country's key development financing institution, Vnesheconombank focuses on financing investment projects of nationwide significance that seek to make the Russian economy more diversified and efficient. We do not compete against commercial banks and only get involved in those projects that are unable to raise financing from private investors due to large investment requirements and long payback periods.

As of late 2015, Vnesheconombank was involved in the financing of

**191** projects

for a total of

**5,080.6** RUB  
bn,

with the Bank's commitment standing at

**2,504.4** RUB  
bn,

including

**94.2%**

with maturities exceeding five years.

Our key investment areas and performance indicators are set out in Vnesheconombank's Memorandum on Financial Policies. Under the Memorandum, the Bank's investments are driven by the principles of publicity and transparency and guided by best corporate governance practices. The Memorandum also provides for the Bank's priority involvement in the financing of PPP projects and withdrawal from projects that fail to meet environmental protection requirements and environmental efficiency standards.

Apart from financing the development bank's projects that are compliant with the Memorandum on Financial Policies and that guarantee payback and a certain rate of return, we also put in place special projects that are a priority for the national economy, but do not meet the Bank's requirements to risk and yield. The decision to recognise a project as a special project is made by Vnesheconombank's Supervisory Board when examining the Bank's involvement in the project financing.

All projects that apply for Vnesheconombank's financing are subject to thorough analysis, including an expert appraisal of technical solutions and evaluation in line with the procedure set out in the Bank's Regulations on Due Diligence of Investment Projects. The key project evaluation criteria include their compliance with the





















investment areas and sectoral priorities of Vnesheconombank, and a positive effect for the economy and society, as well as the project's detail level.

In making our investment decisions, we always evaluate whether projects meet the requirements of national environmental laws. Additionally, for a number of projects that are heavily exposed to environmental risks, the Bank initiates an independent environmental due diligence. In 2015, the Bank designed unified requirements to the competence and experience of companies engaged by borrowers for an independent environmental due diligence of projects that apply for the Bank's financing.

Going forward, we are planning to put in place a comprehensive system to manage non-financial risks of projects that we finance as part of our lending and investment operations. To this end, we have designed draft Guidelines for environmental and social due diligence of investment projects that reflect the best international practices in responsible financing. The Guidelines provide for categorising the Bank's projects by the level of environmental and social risks and for developing plans to address risks identified in projects that may have a considerably adverse impact on environment and quality of life for local populations.



## Key areas, sectoral priorities and parameters of Vnesheconombank's investment activities

Key investment areas	Key sectoral priorities of investment activities
<ul style="list-style-type: none"> <li> Projects aimed at removing infrastructural bottlenecks that constrain economic growth, including support to energy and transportation infrastructure, public utility infrastructure, and tourism sectors</li> <li> Projects aimed at promoting innovations</li> <li> Environmental stewardship and energy efficiency projects</li> <li> SME support projects</li> <li> Support to exports of agricultural and industrial products and services</li> <li> Insurance of export credits and investments against business and political risks</li> <li> Territorial cluster development projects</li> <li> Single-industry municipality development projects</li> </ul>	<ul style="list-style-type: none"> <li> Aircraft building and aerospace</li> <li> Shipbuilding</li> <li> Electronics</li> <li> Nuclear industry, including nuclear energy</li> <li> Heavy, transport, specialty and power engineering</li> <li> Metallurgy (special steel making)</li> <li> Wood processing</li> <li> Defence industry</li> <li> Agricultural industry</li> <li> Strategic computer technologies and software development</li> <li> Information and communication systems</li> <li> Healthcare equipment and pharmaceuticals</li> </ul>

## Key parameters of investment projects

Project payback period	Total project cost	For single-industry town development projects	Minimum commitment by Vnesheconombank	For single-industry town development projects
Over <b>5</b> years	Over RUB <b>2</b> bn	Over RUB <b>1</b> bn	RUB <b>1</b> bn	RUB <b>0.5</b> bn

## Procedure for examination of Vnesheconombank's investment projects

### PROJECT APPRAISAL



#### FIRST STAGE:

preliminary due diligence



#### SECOND STAGE:

full due diligence



#### INDEPENDENT DUE DILIGENCE:

- / Independent appraisal of projects approved by Vnesheconombank's Supervisory Board
- / Independent expert appraisal of energy efficiency and resource saving for projects that provide for construction of real property or industrial facilities
- / Independent environmental expert appraisal of the project if the project needs to meet the requirements of the country where it is implemented or those of the foreign co-investor
- / Examination of the project by the Expert Council of Vnesheconombank as decided by governing bodies of the Bank

### DECISION TO FINANCE PROJECTS



- / Transactions with a book value of

**10% and more**  
of Vnesheconombank's equity  
require approval  
by Vnesheconombank's  
Supervisory Board

- / Transactions with a book value

**from 2% to 10%**  
of Vnesheconombank's equity  
require approval  
by Vnesheconombank's  
Management Board

- / Transactions with a book value of

**less than 2%**  
of Vnesheconombank's equity  
require approval  
by Vnesheconombank's  
Chairman

## Key changes in the regulatory framework governing the Bank's investment activities made in 2015

### Changes in Vnesheconombank's Memorandum on Financial Policies

- / Transactions and deals with a party or end beneficiary being a legal entity registered in offshore zones, or individuals who are nationals of a foreign country included in the list of offshore zones in line with the procedure approved by the Supervisory Board of Vnesheconombank



### Changes in the Regulations on the Expert Appraisal of Investment Projects

- / The project initiator is to provide information on the ownership structure of counterparties
- / Ability to set up project teams from Vnesheconombank's employees to run an expert appraisal of special projects
- / Adjustments to the requirements to documents to be provided by the project initiator as regards its budgetary and socio-economic effect

## Monitoring and evaluation of investment performance

The procedure for monitoring projects financed by Vnesheconombank provides for their evaluation for budgetary and socio-economic efficiency as set out in the Regulations on Due Diligence of Investment Projects. In 2015, the Bank monitored socio-economic efficiency of 120 projects. To improve its monitoring system, the Bank designed and tested an enhanced form of borrowers' report on social and economic efficiency of projects implemented by them.

The results of the Bank's monitoring of projects serve as a basis for a comprehensive evaluation of social and economic efficiency of its lending and investment activities. The guidelines for such evaluation were completed in 2015. While drafting the guidelines, the Bank tested them on 10 investment projects implemented in various sectors and regions. The guidelines are revised based on the results of the tests, including with regard to the system of environmental efficiency indicators of Vnesheconombank's investment operations.

According to monitoring data, in 2015 the budgetary effect from Vnesheconombank's projects was

**95.4** RUB  
bn,

while the number of jobs created as part of these projects exceeded

**6.1** thousand

## Criteria accounted by Vnesheconombank in determining whether a project is socially and economically efficient



Number of new jobs (already created or to be created)



The level of wages, allowances and other benefits payable to employees involved in the project implementation to be above the sector average in the region



Changes in demographics



Higher productiveness



Better use of natural resources



Construction of new, or renovation of existing, facilities in such sectors as education, healthcare, sports, social security, public utilities, etc., and higher quality, and a wider range, of services in these sectors

## Investment performance by Vnesheconombank as a development bank



### PROJECTS APPROVED FOR FINANCING IN 2007–2015

**338** projects for a total of



Projects' budgetary effect:

**475.8** RUB bn

Number of new jobs:

**87,721**



### PROJECTS FINANCED BY THE BANK AS OF LATE 2015

**191** projects for a total of



Projects' budgetary effect:

**404.0** RUB bn

Number of new jobs:

**61,464**



### PROJECTS WHERE THE BANK'S INVOLVEMENT ENDED IN 2007–2015

**87** projects for a total of



Projects' budgetary effect:

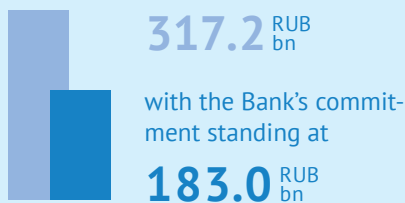
**28.6** RUB bn

Number of new jobs:

**26,191**

### PROJECTS APPROVED FOR FINANCING IN 2015

**18** projects for a total of



Expected budgetary effect:

**100.8** RUB bn

Planned number of jobs:

**3,977**

### PROJECTS WITH FINANCING STARTED IN 2015

**15** projects for a total of



Expected budgetary effect:

**80.4** RUB bn

Planned number of jobs:

**10,097**

### PROJECTS WHERE THE BANK'S INVOLVEMENT ENDED IN 2015

**14** projects for a total of



Projects' budgetary effect:

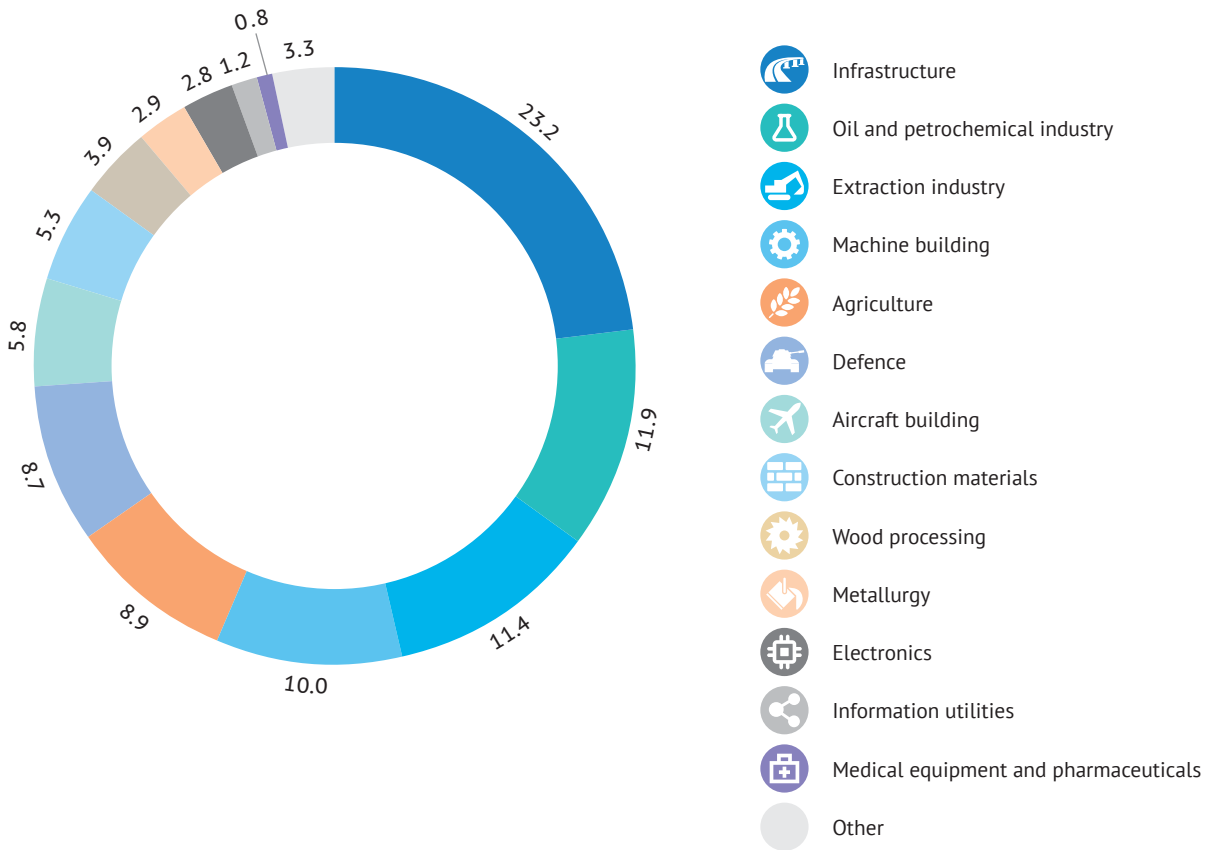
**3.6** RUB bn

Number of new jobs:

**731**

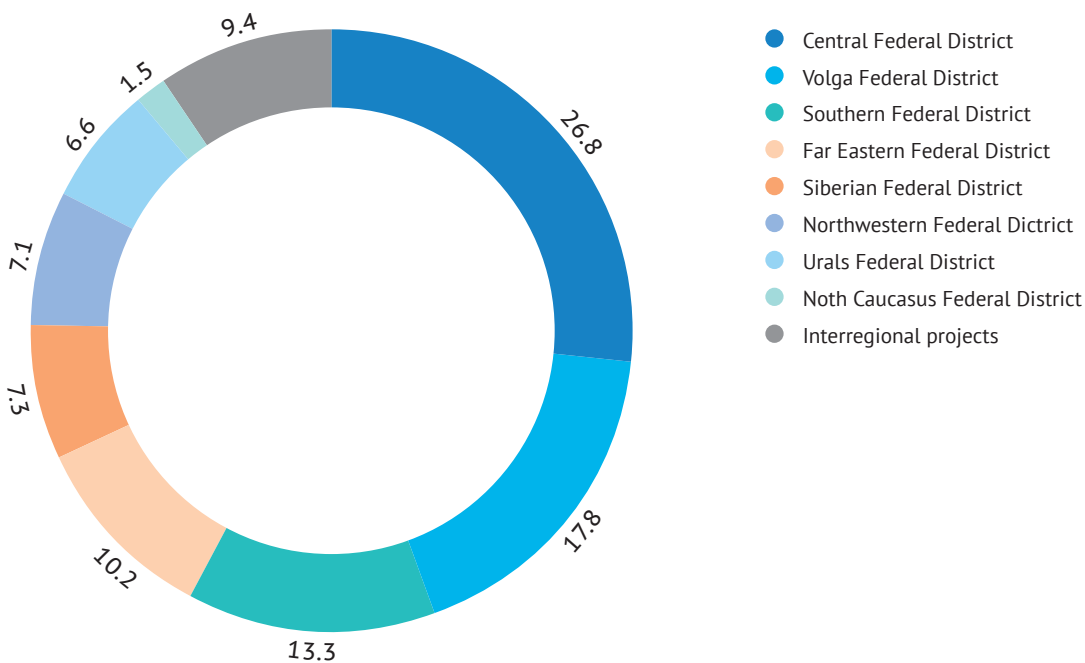
### Sectoral breakdown of projects financed by Vnesheconombank as of late 2015

(% of the Bank's commitment)



### Regional breakdown of projects financed by Vnesheconombank in the Russian Federation as of late 2015

(% of the Bank's commitment)



## Key projects where involvement by Vnesheconombank was completed in 2015



### INFRASTRUCTURE DEVELOPMENT

- / Construction of the Novobereznikovskaya Thermal Power Plant



### SUPPORT TO EXPORTS

- / Financing of costs for acquiring three Sukhoi Superjet 100 passenger aircraft to be further leased to PT Sky Aviation (Republic of Indonesia)
- / Exports of Russian agricultural equipment manufactured by OOO Kombainoviy Zavod Rostselmash (Rostov-on-Don) to Kazakhstan



### AGRICULTURAL INDUSTRY

- / Construction of a pig-breeding facility of OOO Svinokompleks Safonovskiy
- / Construction of a pig-breeding facility in the Prokhorovskiy District of the Belgorod Region



### AUTOMOTIVE INDUSTRY

- / Setup of innovative facilities to manufacture 4- and 6-cylinder engines with an operating capacity from 4 to 7 litres by KAMAZ PTC

## Key projects approved by governing bodies of Vnesheconombank in 2015



### PROMOTING INNOVATIONS

- / Setup of facilities to manufacture import-substituting pharmaceutical substances and ready-to-use medicines in the Yaroslavl Region, and financing of the R&D programme of R-Pharm



### SUPPORT TO EXPORTS

- / A loan facility issued to KAMAZ FTC CORP.LLP (United Kingdom) to pay for the cost of Russia-made trucks supplied by AO VTK KAMAZ to Turkmenistan
- / Two loan facilities with issuance limits extended to Global Resources and Industries S.a.r.l. (Luxembourg) to finance supplies of Russia-made railway cars to the Republic of Azerbaijan

## 2.2 Support to Innovations

When building our development bank project portfolio, we place a particular emphasis on stepping up our lending and investment support to innovative sectors of the Russian economy. The Bank seeks to finance large-scale projects that provide for new knowledge-intensive high added value products and thereby promote modernisation of the Russian economy through innovations.

As of late 2015, innovation-oriented projects accounted for

# 24.7%

of projects financed by Vnesheconombank.

Support to innovation-oriented projects is among our investment priorities set out in Vnesheconombank's Memorandum on Financial Policies. By financing projects with a prominent innovative component, the Bank promotes the government policy for innovative development and modernisation of the economy, which seeks not only to maintain Russia's positions as a global energy leader, but also to set up the environment for efficiently building a competitive economy of knowledge and high technologies.

Vnesheconombank uses the following criteria to classify projects as innovative:

- / the project supports the release of products or services whose technical and economic parameters meet, or exceed, the world level and which are exported or substitute imports in the domestic market;
- / the project focuses on implementation of new production methods that give a competitive edge to the company;
- / the project provides for putting in place new technologies that are included in priority areas of support to research and development in the Russian Federation and in the list of critical technologies of the Russian Federation.

### Vnesheconombank's portfolio of innovative projects

**PROJECTS APPROVED BY THE BANK FOR FINANCING WHILE ACTING AS DEVELOPMENT BANK IN 2007–2015**

**52** projects for a total of



**1,544.8** RUB  
bn

with the Bank's commitment standing at

**709.6** RUB  
bn

**PROJECTS APPROVED BY THE BANK FOR FINANCING IN 2015**

**1** project for a total of



**19.7** RUB  
bn

with the Bank's commitment standing at

**14.6** RUB  
bn

**PROJECTS FINANCED BY THE BANK AS OF LATE 2015**

**38** projects for a total of



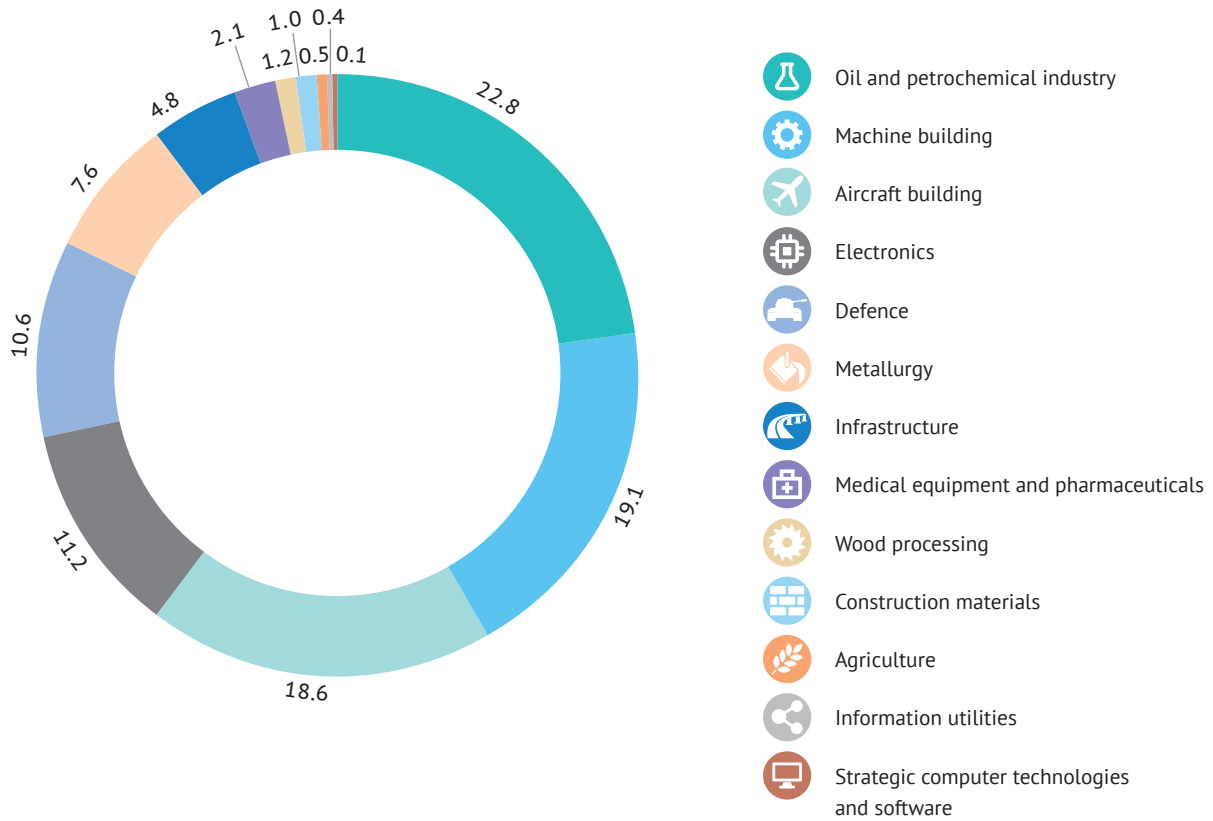
**1,302.1** RUB  
bn

with the Bank's commitment standing at

**619.1** RUB  
bn

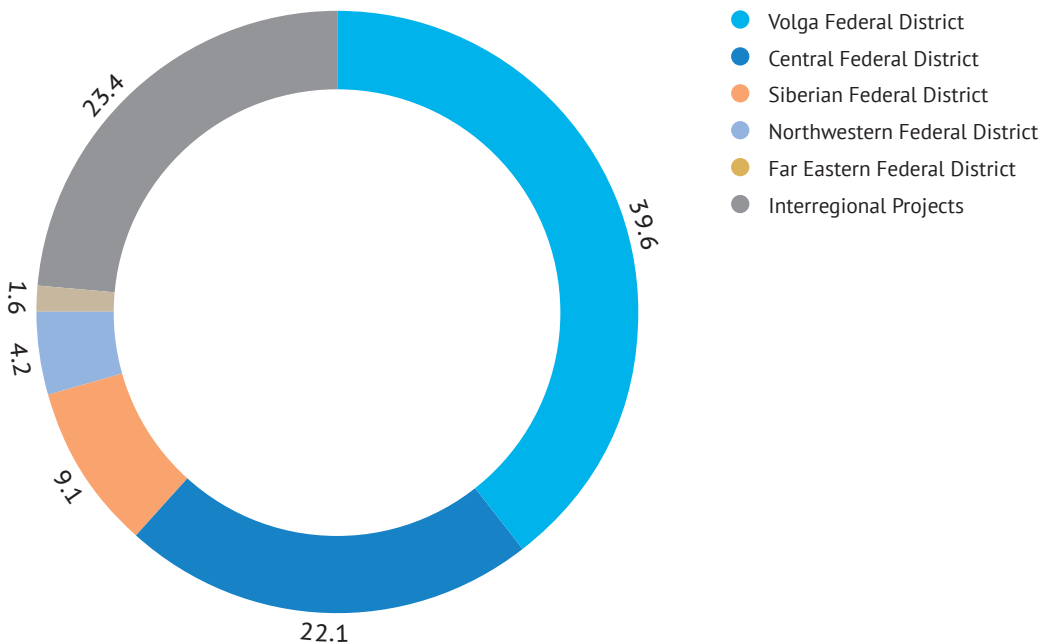
### Sectoral breakdown of innovation-oriented projects financed by Vnesheconombank as of late 2015

(% of the Bank's commitment)

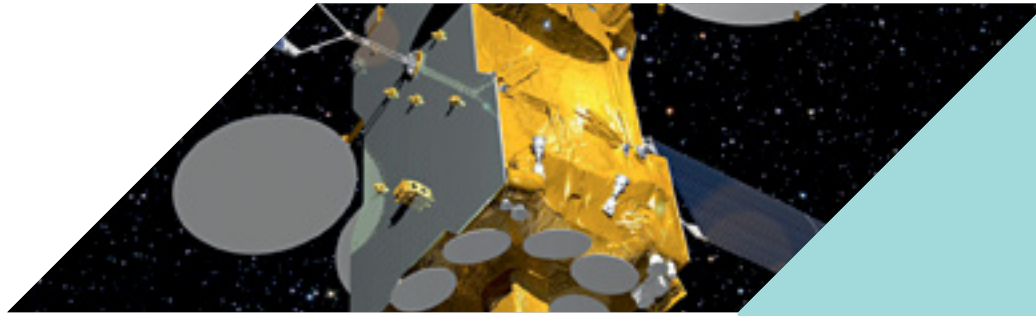


### Regional breakdown of innovation-oriented projects financed by Vnesheconombank as of late 2015

(% of the Bank's commitment)







Project initiator / implementer:  
**The Russian Satellite Communication Company**

Total cost of the project:

**2,175.6** RUB  
mn

and

**154.0** EUR  
mn

Vnesheconombank's commitment:

**124.6** EUR  
mn

**Project's economic results:**

/ tax and other payments to government authorities of all levels and non-government funds from operations of The Russian Satellite Communication Company after the Bank started the financing of the project: RUB 5.2 bn

**Project's social results:**

/ 106 new jobs

## Construction of Express-AM7 spacecraft

**Project goal:** create, launch and operate Express-AM7, a heavy class telecommunication satellite, to set up the environment to address government-set goals of replenishing and developing the Russian orbital constellation of public communication and broadcasting satellites.

The project was implemented in line with the Federal Target Programme "Development of Television and Radio Broadcasting in the Russian Federation in 2009–2015" and the Federal Space Programme of Russia for 2006–2015.

Express-AM7 was successfully put in orbit in March 2015 and brought into operation as planned. The project helped consolidate the necessary capacity in the Central European point of the Russian satellite constellation that serves satellite communication networks of Russia, Europe, India and South East Asia, including television and radio broadcasting networks.

## Operations of VEB-Innovations Fund

In 2015, VEB-Innovations Fund supported projects of Skolkovo Foundation's resident companies for a total of

**139.4** RUB  
mn,

and examined financing applications from 107 projects.

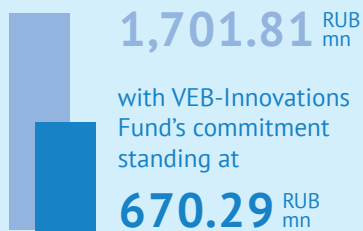
VEB-Innovations Fund was founded by Vnesheconombank in 2011 to provide investment support to projects of Skolkovo Foundation, the leading Russian innovative centre for development and commercialisation of new technologies. Skolkovo Foundation focuses on setting up beneficial economic conditions for companies that offer potential to implement high-tech knowledge-intensive projects.

VEB-Innovations Fund covers all five clusters of Skolkovo Foundation by supporting information, biomedical, energy efficiency, nuclear and space technologies. Financing provided by VEB-Innovations Fund helps speed up commercialisation of innovative ideas and developments by Skolkovo Foundation's residents to contribute to their successful entry to the market with competitive high-tech products of the world level.

## Portfolio of VEB-Innovations Fund's projects for support to projects of Skolkovo Foundation

### PROJECTS FINANCED BY VEB-INNOVATIONS FUND IN 2011–2015

**21** projects for a total of



with VEB-Innovations Fund's commitment standing at

**670.29** RUB mn

Projects' budgetary effect:

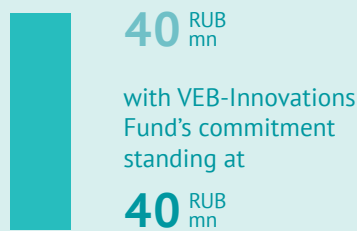
**264.1** RUB mn

Number of new jobs:

**535**

### PROJECTS APPROVED FOR FINANCING IN 2015

**1** project for a total of



with VEB-Innovations Fund's commitment standing at

**40** RUB mn

Expected budgetary effect:

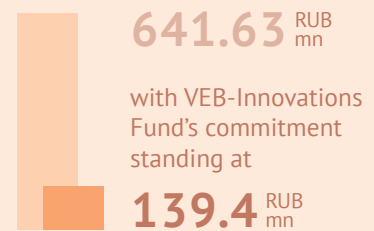
**1.1** RUB mn

Planned number of jobs:

**25**

### PROJECTS FINANCED IN 2015

**5** projects for a total of



with VEB-Innovations Fund's commitment standing at

**139.4** RUB mn

Projects' budgetary effect:

**21.2** RUB mn

Number of new jobs:

**98**



Project initiator / implementer:  
**LLC DiSiCon (Nizhniy Novgorod)**

Total cost of the project:

**28.8** RUB  
 mn

Commitment by VEB-Innovations Fund:

**28.8** RUB  
 mn

**Project's environmental results:**

/ the system reduces the fire hazard level

**Project's economic results:**

/ in 2015, the project's budgetary effect was RUB 6.6 mn

**Project's social results:**

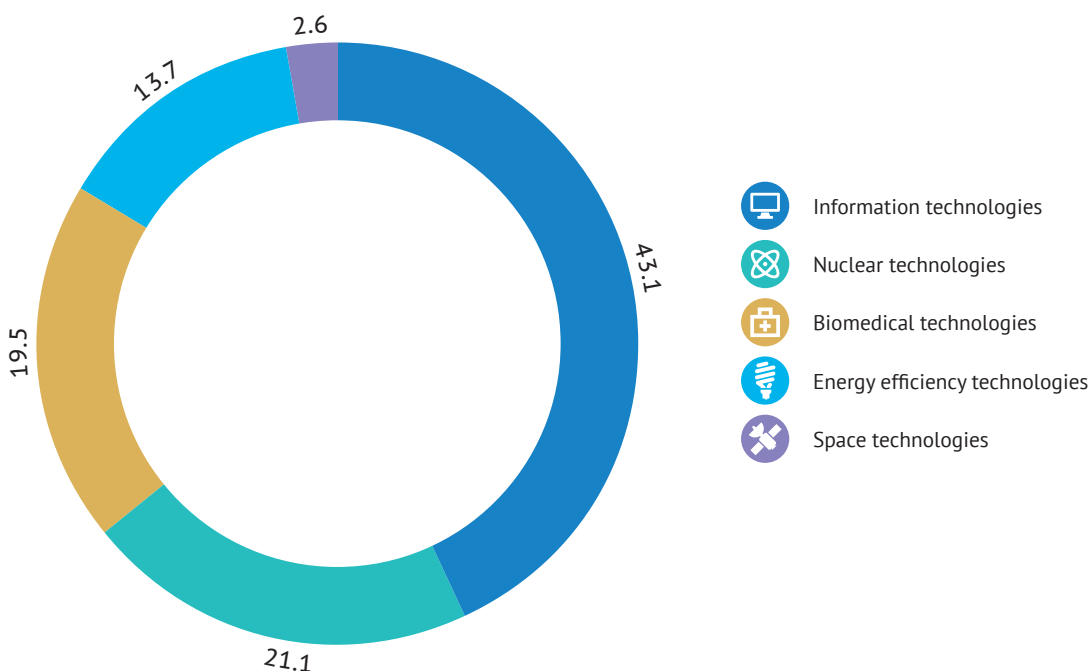
/ in 2015, the project created 13 new jobs

**Lesnoy Dozor remote surveillance system**

**Project goal:** design and implement the Lesnoy Dozor information system intended for monitoring forests and early detection of forest fires.

The system is a software and hardware appliance consisting of controllable surveillance sensors (video cameras, thermal image sensors, infra-red cameras) and special software used to monitor forests in real time and localise fire outbreaks. The system identifies fire outbreaks at early stages to prevent emergencies. Lesnoy Dozor has been successfully implemented in 33 Russian regions, and in Bulgaria, including in natural reserves. The system's operation is supported by the existing infrastructure of mobile operators. The system is easily scalable and expandable and can be used to locate forest fires both in large and small territories.

**Breakdown of funds allocated by VEB-Innovations Fund over the period of its support to projects of Skolkovo Foundation by cluster (%)**



## 2.3 Environmentally Important Projects

Support to projects of high environmental importance is among our priorities. By engaging in environmental stewardship and energy efficiency projects, we contribute to the solution of global issues related to climate change and the increasing human impact.

As of late 2015, the share of environmental stewardship and energy efficiency projects in the portfolio of projects financed by Vnesheconombank accounted for

**34%**

of the portfolio.

As part of its investment operations, Vnesheconombank pays particular attention to supporting environmentally important projects, which is in line with international practices of financial development institutions that play a leading role in refocusing the economy towards better performance and resource saving.

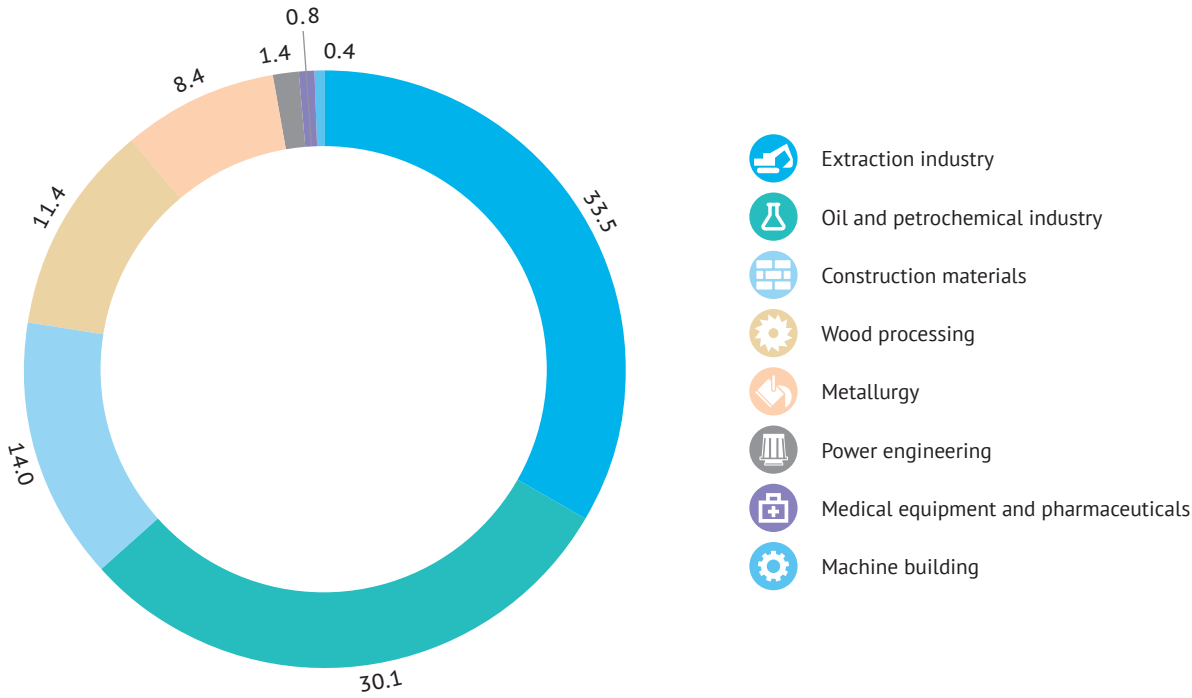
The global trend towards a greener economy becomes particularly important in the context of the new Climate Change Agreement adopted in December 2015 and unanimously approved by 196 countries at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris. Putting the Agreement in life will require the countries that are parties to it, including Russia, to summon up additional financial resources,

which opens up new opportunities for the Russian banking sector to access the global green financing market.

In 2015, Vnesheconombank continued designing the criteria for evaluation of investment projects that meet the requirements of green funds and are in line with best international practices of development institutions. Jointly with the International Financial Corporation (IFC), the Bank has completed the development of a mechanism to evaluate energy efficiency of investment projects and prepared proposals to make relevant amendments to the regulations on due diligence of the Bank's projects. A number of trainings on support to energy efficiency projects were held for staff of investment units in Russia and in other countries.

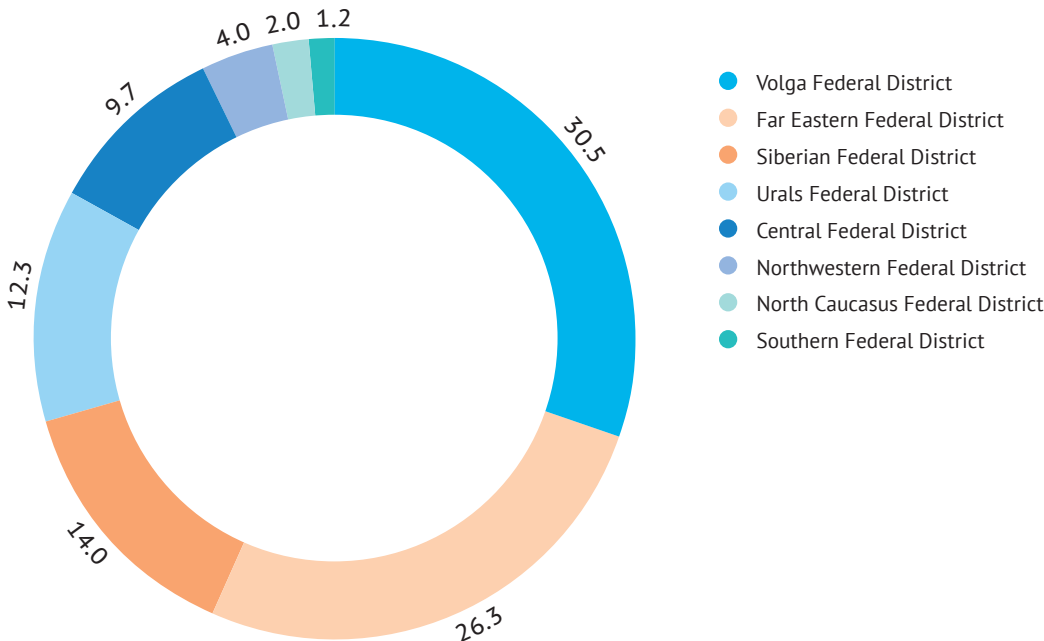
### Sectoral breakdown of environmental stewardship and energy efficiency projects financed by Vnesheconombank as of late 2015

(% of the Bank's commitment)



### Regional breakdown of environmental stewardship and energy efficiency projects financed by Vnesheconombank as of late 2015

(% of the Bank's commitment)



## The Bank's portfolio of environmental stewardship and energy efficiency projects

### PROJECTS APPROVED BY THE BANK FOR FINANCING WHILE ACTING AS DEVELOPMENT BANK IN 2007–2015

**46** projects for a total of



### PROJECTS FINANCED BY THE BANK AS OF LATE 2015

**34** projects for a total of



Project initiator / implementer:  
**AO Ammoniy** (Republic of Tatarstan)

Total cost of the project:

**2,158.3** USD mn

Vnesheconombank's commitment:  
/ loan

**1,806.8** USD mn

/ equity participation

**1,480.6** RUB mn

#### Project's environmental results:

- / increase in energy efficiency through cutback on energy costs from 10–12 Gcal to 7.8 Gcal per tonne of ammonia;
- / resource saving (natural gas processing depth: 94%)

#### Project's economic results:

- / tax and other payments to government authorities of all levels and non-government funds after the Bank started the financing of the project: RUB 1.6 bn

#### Project's social results:

- / 356 new jobs created



### Construction of an ammonia, methanol and carbamide production facility

**Project goal:** construct a facility for combined production of ammonia and methanol (717.5 thousand tonnes of ammonia per year net of methanol, 483.7 thousand tonnes of ammonia and 233.8 tonnes of methanol per year from combined production) and install a granulated carbamide plant with a maximum capacity of 715.5 thousand tonnes per year, and refit existing ammonia nitrate production facilities.

The project provides for bringing the natural gas conversion rate to the maximum currently available, with three types of finished products released at a time. The use of the best global design solutions and installation of advanced equipment of Mitsubishi Heavy Industries LTD (Japan) will ensure energy efficiency of production and cut resource consumption.

In 2015, the facility successfully passed guarantee tests. Contracts were signed with major global traders and export transaction certificates were obtained for sale of 500 kta of carbamide to European, Latin American and Middle East countries.

In 2015, BelVEB took part in the financing of

**10** projects

implemented under the BelSEFF facility for a total of

**1.44** EUR mn.

## BelVEB's projects for financing sustainable energy

BelVEB makes part of those Byelorussian banks that are actively involved in the Belarus Sustainable Energy Finance Facility (BelSEFF) implemented by the European Bank for Reconstruction and Development (EBRD). Under the loan agreement with the EBRD, BelVEB finances private companies that seek to cut energy intensive processes or use renewable energy sources.

Byelorussian companies involved in the programme are offered free-of-charge technical support from BelSEFF's consultants who run due diligence of projects, including by visiting construction sites. If additional examination of the project is needed, consultants assess energy efficiency and feasibility of the project solution.

Key lending areas under the programme include:

- / replacing energy intensive production equipment and energy supply systems;
- / upgrading commercial property (thermal insulation); and
- / using renewable energy sources.



### Acquisition and installation of a modular boiler facility

**Project goal:** acquire a modular boiler facility with a total maximum capacity of 500 kW for operational needs.

As part of the project, Goldoptima that offers a wide range of furniture products through its production facilities in Grodno (Republic of Belarus) purchased and installed a modular boiler facility manufactured by SMART HEATING TECHNOLOGY (Czech Republic). The boiler facility is fired by solid fuel (wood chips from furniture manufacturing).

The project will contribute to higher energy independence of the company and lower cost of its products. The more efficient method of heat production applied by the company will help it save up to 65 thousand cu m of natural gas a year, and dispose of the largest part of its production waste, including Hazard Grade 3 waste.

Project initiator / implementer:  
**IUP Goldoptima**

Total cost of the project:

**300** EUR thousand

BelVEB's commitment:

**200** EUR thousand

#### Project's environmental results:

- / decrease in natural gas consumption to 65 thousand cu m a year;
- / disposal of 323 cu m of furniture production waste a year

## 2.4 Regional Development Projects

Our regional policy is implemented in close interaction with executive authorities of the Russian Federation and seeks to encourage balanced social and economic development in regions. We challenge ourselves to build new economic growth centres taking into account competitive advantages of specific regions and capabilities of Vnesheconombank Group.

In 2015, Vnesheconombank Group was involved in the implementation of

# 5

plans for integrated development of territories put in place together with administrations of the Kemerovo Region and the Primorye Territory, as well as governments of the Astrakhan, Rostov and Samara Regions.

As part of our regional policy, we apply a programme- and plan-based approach to building partnership relations with regions that enjoy high investment and human resource capabilities and have a strategic importance for economic growth and national security.

The approach used by Vnesheconombank provides for implementation of plans of joint action between Vnesheconombank Group and executive authorities of the Russian Federation for integrated territorial development. These plans include medium-term financial and non-financial measures of support to regions and are intended to set up the infrastructural, institutional and organisational framework for promoting investment operations in regions using the instruments for support offered by Vnesheconombank Group's entities.

In 2015, Vnesheconombank drafted a list of control (target) indicators for quantitative and qualitative assessment of social and economic efficiency of integrated territorial development plans and ran a monitoring of their implementation. Through this exercise, we were able to determine those elements of the plans that had seized to be relevant and identify new high-potential areas of relations with regions.

As a result of this analysis, Vnesheconombank designed a new format of a joint action plan between Vnesheconombank Group and the highest executive authorities of Russian regions that was titled "Encouraging Regional Investment Activities". The new format of the plan provides for expanding the range of areas where it can be implemented to support exports and international trade, promote relations in strategic and spatial planning, as well as in investment activities, support to single-industry towns and informational and analytical relations.

In 2015, Vnesheconombank also launched a fundamentally new approach driven by partnership relations between Vnesheconombank Group and the relevant Federal District on the whole as part of interaction with the Plenipotentiary Representatives of the Russian President in Federal Districts. With this approach, we developed a pilot plan for Encouraging Investment Activities in the Siberian Federal District. The plan was based on the analysis of current and potential capabilities of Russian regions that make part of the District to implement, jointly with Vnesheconombank Group, projects of federal and regional importance.







## High-potential investment projects of Vnesheconombank included in Integrated Territorial Development Plans

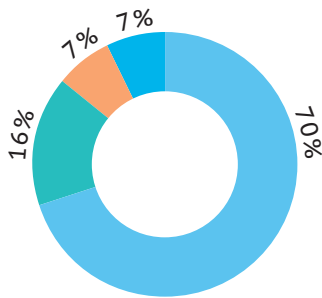
### Rostov Region

Integrated Territorial Development Plan for 2013–2018

The Plan comprises

**14** projects in the following sectors:

-  Industrial manufacturing
-  Public utility and tourism infrastructure
-  Agriculture
-  Mining




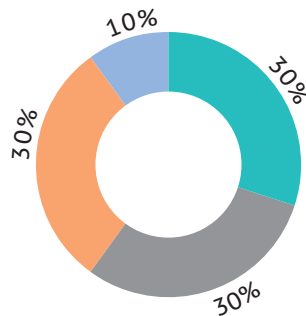
### Samara Region

Integrated Territorial Development Plan for 2014–2019

The Plan comprises

**8** projects in the following sectors:

-  Public utility infrastructure
-  Tourism infrastructure
-  Agriculture
-  Defence






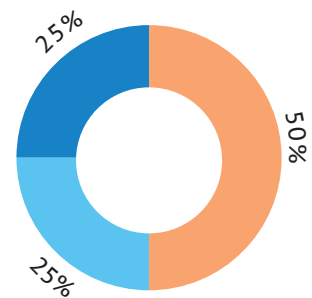
### Primorye Territory

Integrated Territorial Development Plan for 2013–2018

The Plan comprises

**4** projects in the following sectors:

-  Agriculture
-  Manufacturing
-  Transportation infrastructure



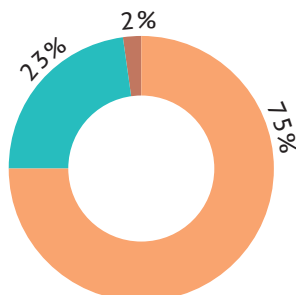
### Astrakhan Region

Integrated Territorial Development Plan for 2013–2018

The Plan comprises

**19** projects in the following sectors:

-  Agriculture
-  Tourism and social infrastructure
-  Innovations



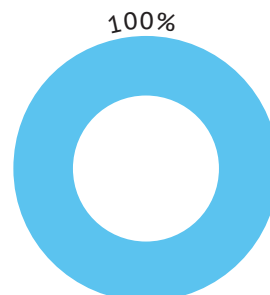
### Kemerovo Region

Integrated Territorial Development Plan for 2012–2015

The Plan comprises

**7** projects in the following sectors:

-  Manufacturing



## The Far East and Baikal Region Development Fund

In 2015, the Fund approved its involvement in the financing of

**7** projects

for a total of

**87.8** RUB  
bn

with the Fund's commitment standing at

**11.3** RUB  
bn

As a result of these projects, tax proceeds before 2025 are expected to come at

**87.1** RUB  
bn,

with an increase in GRP of

**363.4** RUB  
bn,

and

**2,926** new jobs.

The operations of The Far East and Baikal Region Development Fund founded in 2011 as a 100% subsidiary of Vnesheconombank are aimed at accelerating social and economic development of the Far Eastern Federal District. Built into the unified system of Far East development institutions, the Fund operates as a catalyst for the investment process in the region. Until 2020, the Fund is planning to take part in the financing of at least 20 investment projects for a total of more than RUB 900 bn.

Investment priorities of the Fund include projects aligned with the government policy and yielding a prominent social and economic multiplier effect. The Fund also particularly focuses on support to projects implemented in Territories of Accelerated Social and Economic Development (TAD) launched in the Far East since 2014. In line with the Resolution by the Government of the Russian Federation, all investment projects of the Fund are subject to examination by the Sub-Committee for Implementation of Investment Projects in the Far East and the Baikal Region.

In 2015, the Government of the Russian Federation by its Decision on Amending the Guidelines for Selecting Investment Projects in the Far East removed key

administrative constraints to the Fund's investment activities. As a result, the Fund was able to expand its investment mandate, apart from infrastructure projects, to a broad range of sectors, including agriculture and tourism. In 2015, a draft federal law on the mechanism for increasing capitalisation of the Fund developed on instruction by the Russian President was submitted to the Russian Government.

In 2015, to attract foreign investors to the Russian Far East, the Fund stepped up its efforts to develop economic relations with major companies and financial organisations of the Asia-Pacific Region (APR). The key outcome of these efforts was the signing of an agreement with Asia Pacific Food Fund Management (China) on establishing the Russia-China Agriculture Fund that will support export oriented agricultural projects in the Russian Far East, including with long-term financing from Asian Pacific countries. The initial capital of the Fund will be RUB 13 bn, with 90% to be contributed by the Chinese partner. The Fund will support operators of effective agricultural projects in the Far East implemented at land plots owned by Russian companies involving at least 80% of Russian labour resources.

## Investment performance of the Far East and Baikal Region Development Fund in 2015



### HIGH-POTENTIAL INVESTMENT PROJECTS OF THE FUND

**109** projects for a total of

**1,077.4** RUB  
bn

**36** projects for a total of

**674.4** RUB  
bn

were subject to internal  
due diligence

**73** projects for a total of

**402.9** RUB  
bn

are under preliminary  
due diligence



### PROJECTS APPROVED FOR FINANCING BY THE FUND IN 2015

**7** projects for a total of

**87.8** RUB  
bn

with the Fund's commitment  
standing at

**11.3** RUB  
bn

The projects are planned  
to create c.

**3** thousand new jobs

The budgetary effect of the projects  
is expected to be

**87.1** RUB  
bn



### PROJECTS THAT THE FUND STARTED FINANCING IN 2015

**3** projects for a total of

**23.4** RUB  
bn

with the Fund's commitment  
standing at

**4.8** RUB  
bn

The projects are planned  
to create c.

**1.38** thousand new jobs

The budgetary effect of the projects  
is expected to be

**9.2** RUB  
bn



Project initiator / implementer:  
**ОАО УК Эко-система**

Total cost of the project:

**900** RUB  
mn

The Fund's commitment:

**265** RUB  
mn

**Expected environmental results of the project:**

- / a solution to the issue of disposal of more than 250 thousand tonnes of MSW that are annually accumulated at disposal sites of the Sakhalin Region

**Expected economic results of the project:**

- / GDP increase of RUB 2,600 mn until 2025;
- / tax proceeds: RUB 490 mn

## Creating advanced infrastructure for MSW disposal

**Project goal:** a comprehensive solution to handle municipal solid waste (MSW) in the territory of the Sakhalin Region, which will improve the environmental situation in the region, and reduce public expenses at all levels.

As part of the project, ground-breaking MSW disposal infrastructure managed by a professional regional operator will be built on Sakhalin. The project will become the first Far-Eastern example of a comprehensive solution to economic and environmental issues related to MSW management through concession mechanisms. The project is highly relevant as disposal sites of the Sakhalin Region are overloaded and their further operation is fraught with the risks of local environmental disasters. Successful implementation of the project will allow structural reorganisation of the entire MSW disposal and recycling industry in the Far East. 23 inter-municipal MSW disposal facilities are planned to be constructed on Sakhalin, in the Khabarovsk, Kamchatka and Primorye Territories, in the Amur and Magadan Regions, and in Yakutia and the Jewish Autonomous Region. After they reach their full capacity, the amount of sorted waste will allow launching recycling facilities.

As of late 2015, NCDC's investment portfolio included

**5** projects

for a total cost of

**26.3** RUB  
bn,

with NCDC's commitment standing at

**4.96** RUB  
bn.

These projects are planned to create over

**1,200** new jobs

and provide

**110** RUB  
mn

of tax allocations.

## North Caucasus Development Corporation

North Caucasus Development Corporation (NCDC) was founded in 2010 as a 100% subsidiary of Vnesheconombank that operates to build a beneficial investment environment in the North Caucasus Federal District. NCDC contributes to the implementation of a government programme for development of the North Caucasus designed to attract investments to the region and create new jobs.

NCDC has proven to be a breakthrough entity for the North Caucasus that efficiently combines the interests of Russian and foreign investors on the one hand and government interests on the other hand to boost investment payback from the region. The Corporation acts as an intermediary between project initiators and investors by providing advice on preparing

projects of strategic importance for the development of the North Caucasus and by co-financing them.

In 2015, NCDC continued building a database on high-potential investment projects in the region. The Corporation considered over 35 investment applications for agro-industrial, heavy industry, textile industry, machine building and pharmaceutical projects for a total of more than RUB 90 bn, with NCDC's commitment expected to reach c. RUB 50 bn. Out of the total number of applications examined by it as part of an express analysis, the Corporation selected 14 projects, including 5 projects for which preparation of a documentation package to be examined by NCDC's governing bodies was started.

## 2.5 Support to Single-Industry Towns

Supporting development and diversification of the economy in single-industry towns is among priorities of Vnesheconombank's regional policy. The Bank's efforts in financial recovery and upgrade of backbone enterprises of single-industry towns, in creating new businesses in such towns and in raising investment have as a goal to relieve social tensions and bridge the gap between the level of income and life quality of Russian populations.

As of late 2015, Vnesheconombank's portfolio of projects in single-industry towns comprised

**41** projects

for a total of

**780.21** RUB bn,

with the Bank's commitment standing at

**426.05** RUB bn.

Once implemented, these projects are planned to create over

**10** thousand new jobs in single-industry towns.

Vnesheconombank is putting in place a range of measures to support single-industry towns as part of financing investment projects aimed at recovering and diversifying the economy of single-industry towns, and coordinating the activities of the Working Group for Modernisation of Single-Industry Towns of the Government Commission on Economic Development and Integration. The Working Group includes plenipotentiary representatives of federal executive authorities, development institutions, public organisations and other stakeholders.

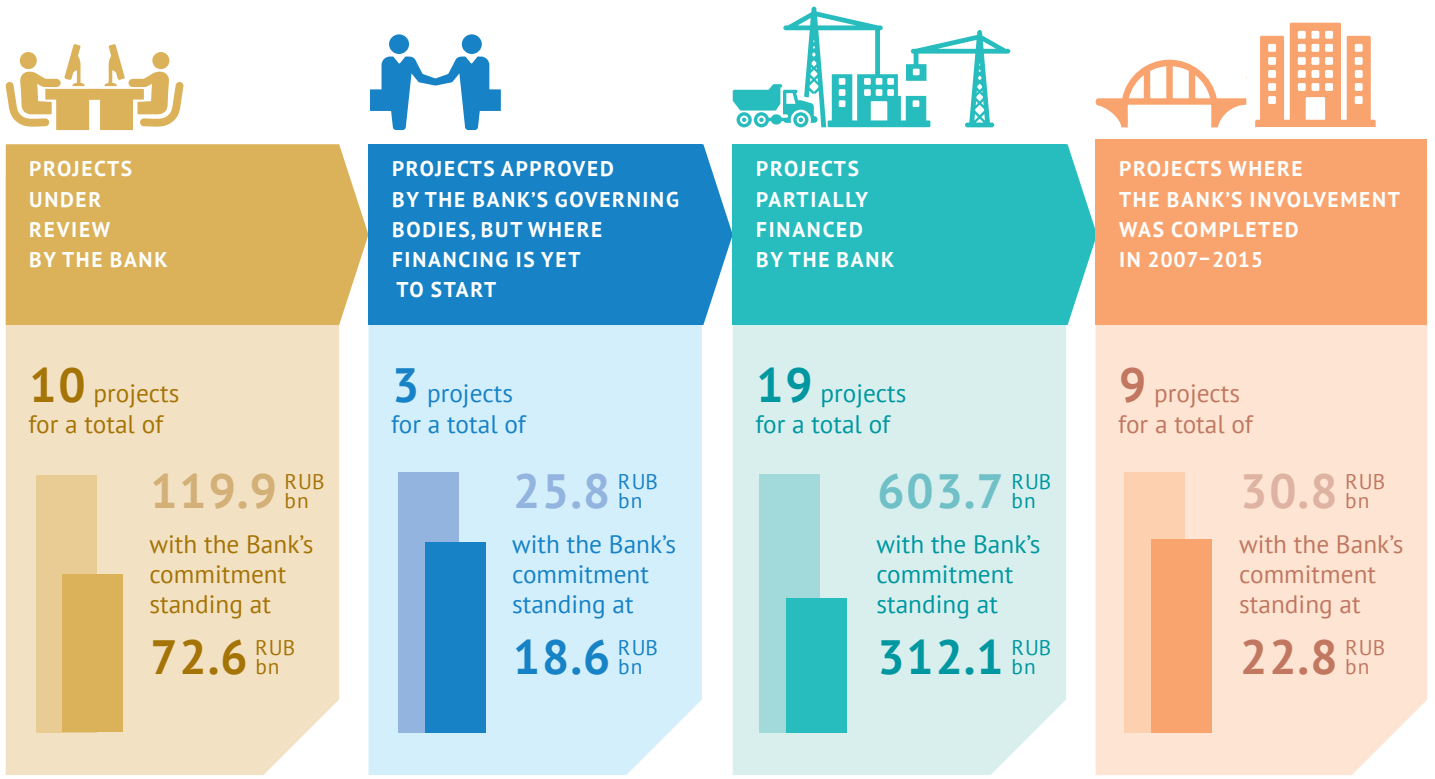
In 2015, the Working Group updated the list of single-industry towns to include 319 localities, including 99 localities from the "red area" that is associated with a particularly challenging social and economic situation. 25 localities out of the "red area" single-industry towns were selected for potential support by the Single-Industry Town Development Fund, a not-for-profit organisation founded by Vnesheconombank in 2014 to stabilise the situation in the most challenged single-industry towns.

The range of measures to support "red area" single-industry towns also covers potential creation of Territories of Accelerated Social and Economic Development (TAD) in single-industry towns in a challenging situation. This special legal status will considerably reduce tax pressure on TAD-resident entrepreneurs and investors to encourage their business activities. In 2015, the Working Group for Modernisation of Single-Industry Towns reviewed 27 applications from Russian regions for creation of TADs in single-industry towns and came up with proposals to streamline relevant efforts.

In 2015, to make single-industry towns more attractive for investors, Vnesheconombank continued its efforts to update information on industrial sites operating in single-industry localities published on the Bank's web-site. The Bank collected and reviewed information on 492 industrial sites in 173 single-industry towns across 45 Russian regions. Presentation materials for 186 sites in 75 single-industry towns across 23 Russian regions that enjoy developed infrastructure and a favourable business environment are available on the Bank's web-site\*.

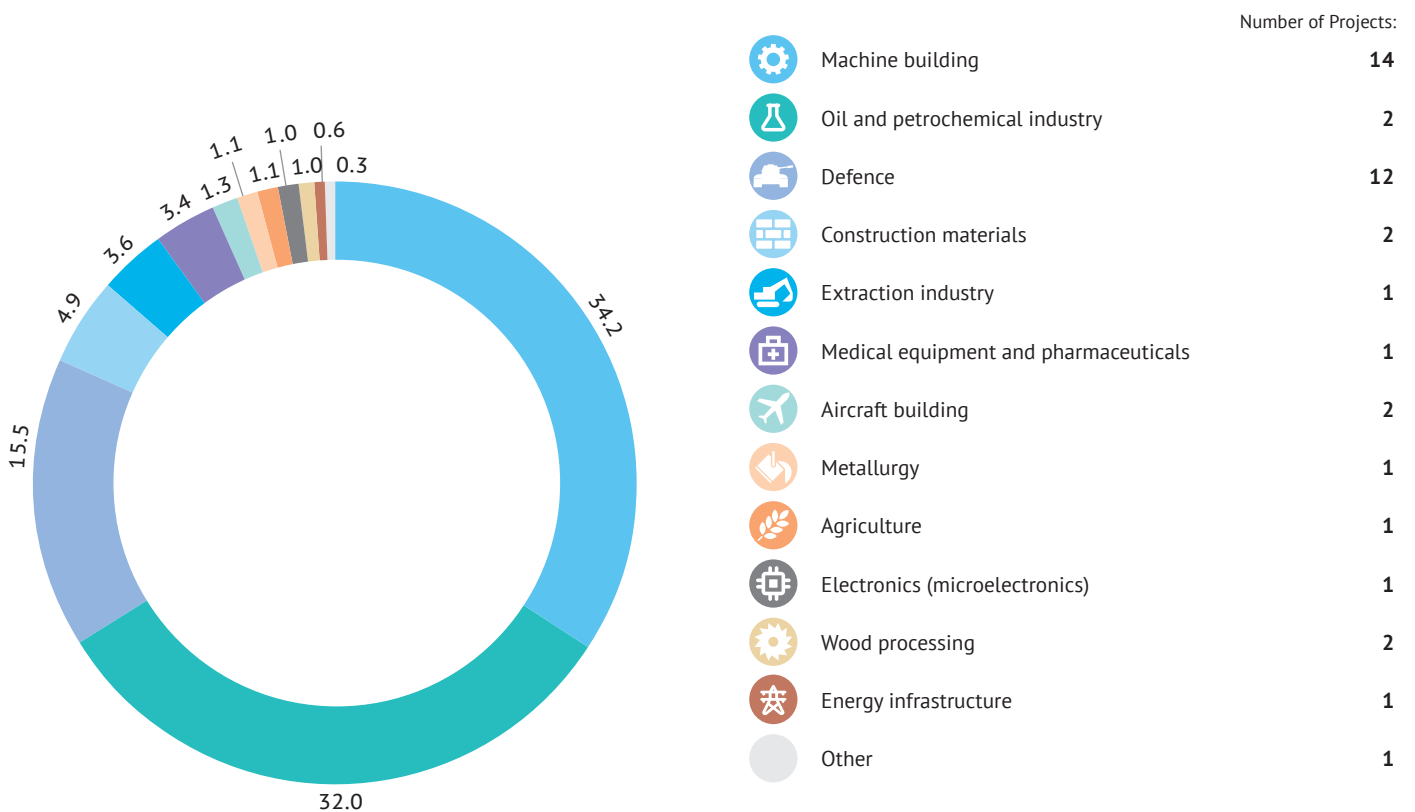
\* [http://www.veb.ru/strategy/region/sup10\\_11](http://www.veb.ru/strategy/region/sup10_11)

### Vnesheconombank's portfolio of projects in single-industry towns as of late 2015



### Sectoral breakdown of Vnesheconombank's projects in single-industry towns

(% of the Bank's total commitment)



## Performance of the Single-Industry Town Development Fund (MDF)

### DEVELOPING INFRASTRUCTURE REQUIRED TO LAUNCH INVESTMENT PROJECTS IN SINGLE-INDUSTRY TOWNS



In 2015, MDF signed **17** master agreements with 11 Russian regions for cooperation on development of single-industry towns.

Under these agreements, Russian regions sent 15 applications to MDF for co-financing of expenses for construction and renovation of infrastructure facilities required to implement new investment projects in single-industry towns.

In 2015, MDF took obligations to co-finance expenses of Russian regions and municipalities for construction and renovation of infrastructure facilities required to implement new investment projects in 8 single-industry towns.

The amount of obligations assumed by MDF is

**4,755.15** RUB mn,

including RUB 1,458.81 mn transferred in 2015.

Existing agreements for infrastructure development provide for creating over

**11** thousand jobs and raising

**44.2** RUB bn

of investments in single-industry towns.

### PREPARING AND IMPLEMENTING INVESTMENT PROJECTS IN SINGLE-INDUSTRY TOWNS



In 2015, MDF continued building its portfolio of investment projects in single-industry towns.

**17** projects were actively explored by MDF as of late 2015.

The total cost of projects considered by MDF for potential financing is

**44,642** RUB mn, including MDF's investment of

**11,368** RUB mn.

These projects are planned to create

**8,150** new jobs.

### BUILDING MANAGEMENT TEAMS FOR SINGLE-INDUSTRY TOWN DEVELOPMENT PROJECTS



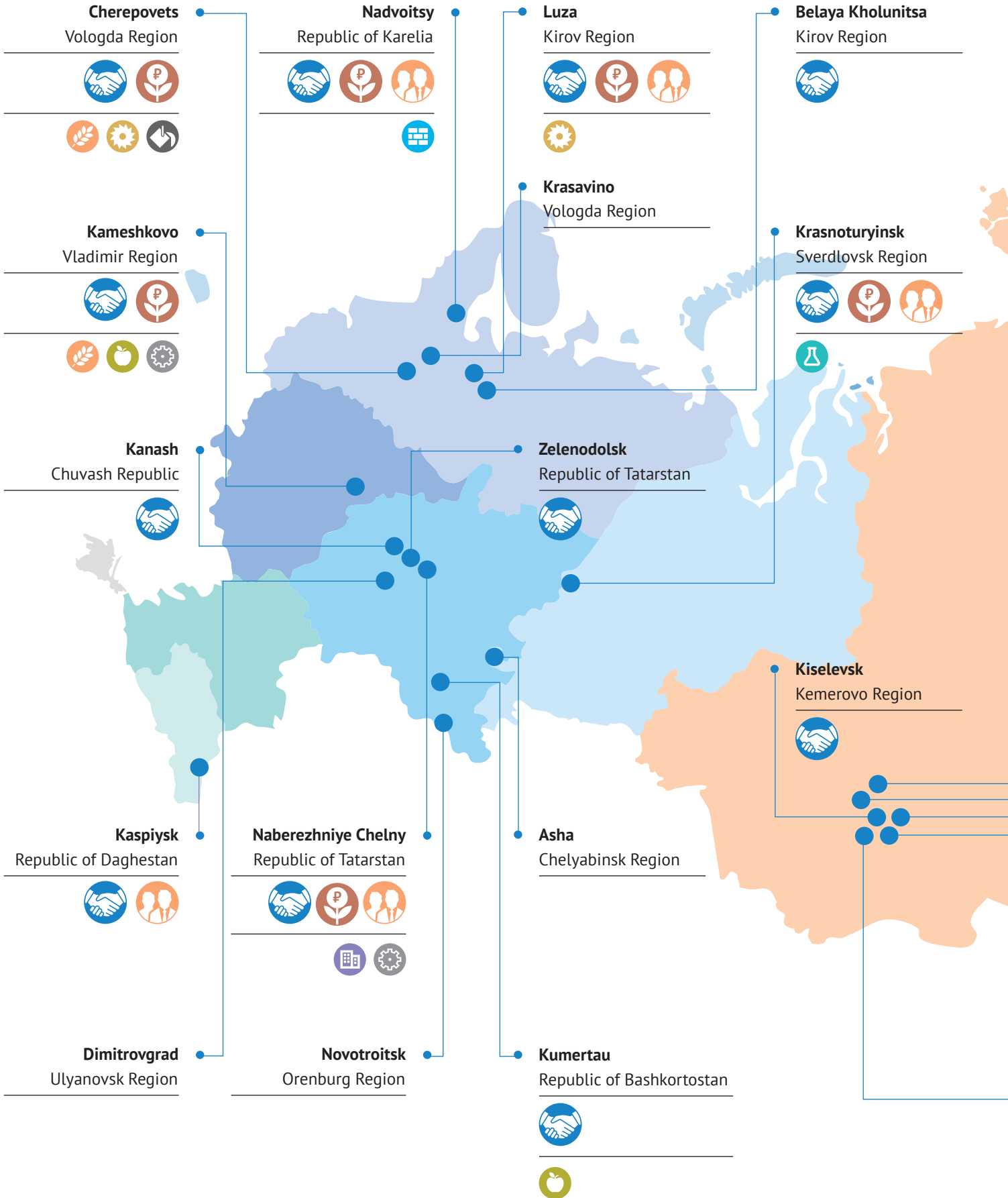
In 2015, MDF, jointly with Moscow Management School SKOLKOVO, organised a training course of management teams for single-industry town development projects.

The training course comprising five week-long modules was attended by

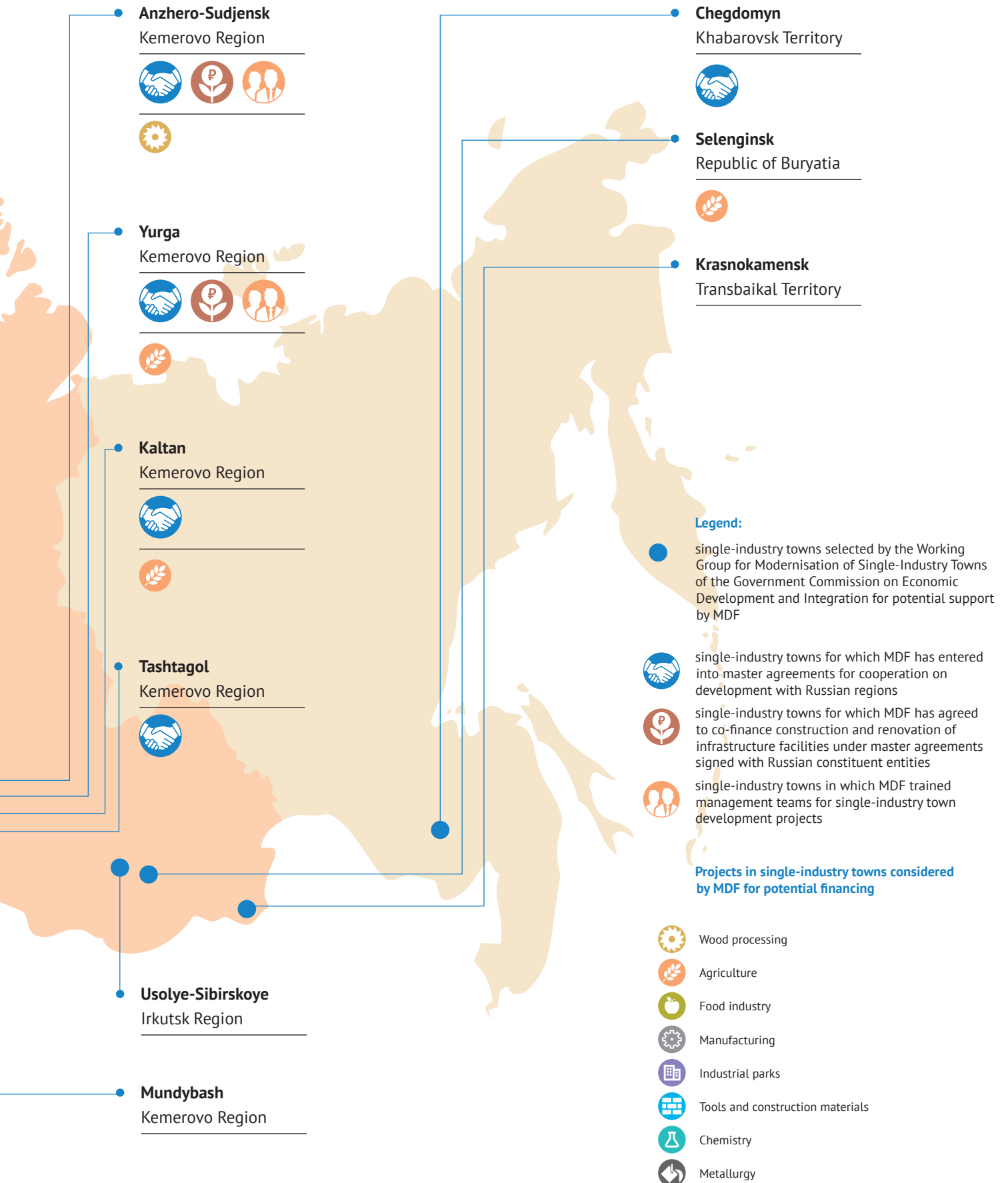
**56** representatives of government authorities and the business community in

**7** single-industry towns, including 52 that were successfully accredited.

### Single-industry towns for MDF's priority support







A photograph of a shipping yard. In the foreground, there are stacks of blue and red shipping containers. In the background, a red forklift is visible, and the sky is a mix of blue and orange, suggesting a sunset or sunrise. The image is split into two vertical panels by a thin white line.

# 3

## Developing Economic Potential



## 3.1 Support to Exports

Vnesheconombank plays a leading role in ensuring the efficient operation of the governmental system of support to national non-commodity exports, and in helping to achieve the targets of the 'Support to Access to Markets of Foreign Countries and Support to Exports' Road Map approved by the Government of the Russian Federation. In these activities, the Bank relies on its experience, unique for the Russian financial system, of implementing large, complexly structured projects to support exports of Russian high-tech products.

As of late 2015,  
Vnesheconombank's  
export was

**484.1** RUB  
bn.

Over the year, the Bank  
issued 23 export loans for

**30.4** RUB  
bn

and 79 guarantees for

**99.3** RUB  
bn.

Vnesheconombank provides support to exports of Russian industrial products as part of its own operations, including via its subsidiaries and affiliates: EXIAR, Eximbank of Russia and the Russian Export Centre (REC) founded in April 2015 in line with the relevant resolution by the Russian Government.

The creation of REC was intended to complete the integration of the corporate framework of Vnesheconombank Group and finalise the 'one-stop-shop' system of comprehensive support to Russian exporters. To enhance the performance of the export support team, REC has been charged with coordinating the operations of EXIAR, 100% shares in which were vested to the Centre in December 2015, and Eximbank of Russia whose shares are expected to be transferred in 2016.

Later on, REC, EXIAR and Eximbank of Russia will operate within the unified vertical system of corporate governance led by Vnesheconombank and ensuring end-to-end business processes in customer relations. Stronger coordination processes at Vnesheconombank Group will facilitate a further increase in synergy from the use of various tools of financial and non-financial support to both standard and the most complex export projects.

In supporting exports, Vnesheconombank Group focuses on making its financial products more affordable, and project examination procedures faster and simpler, as well as on meeting the requirements of the WTO and OECD to anti-corruption procedures and evaluation of environmental and social footprint of projects financed by the Group.

## Key areas of Vnesheconombank's support to exports in 2015

### KEY TARGET SECTORS

-  Aircraft building
-  Space-and-rocket industry
-  Defence industry
-  Heavy machine building
-  Transport engineering
-  Specialty and power engineering

### KEY TARGET REGIONS

- / Republic of Cuba
- / Republic of Angola
- / Republic of Indonesia
- / Mexico
- / Republic of Ecuador
- / Republic of Belarus
- / Lithuanian Republic
- / Republic of Kazakhstan
- / Republic of Azerbaijan
- / Turkmenistan
- / Mongolia

## Vnesheconombank's non-financial mechanisms of support to exports

### FINANCIAL SUPPORT TO RUSSIAN EXPORTS ONE-STOP-SHOP SYSTEM

The web portal operating on Vnesheconombank's website is designed for Russian exporters and foreign buyers of Russian products.

The web portal enables remote application for financing of export projects and their examination within the Vnesheconombank Group.

Registered users can track the progress on their application via their personal profile page in real time.

In 2015, Vnesheconombank held consultations on 36 requests for financial and guarantee support.

22 users are registered on the portal and have submitted 8 applications for export project financing.

### INFORMATION CENTRE FOR SUPPORT TO EXPORTERS

The online service is designed for Russian exporters that can promptly obtain information and advisory support on Vnesheconombank's website, including reference information on key areas of export financing within Vnesheconombank Group, including to identify potential tools to support specific export projects.

In 2015, Vnesheconombank held consultations on 53 requests for financial and guarantee support.



Project initiator / implementer:  
**JSC RPC Uralvagonzavod,  
RailTransHolding MC LLC,  
OOO RusNefteTrans**

Vnesheconombank's commitment:  
in 2015, the Bank provided

**2.16** RUB  
bn  
under a loan facility with  
an issuance limit of

**3.79** RUB  
bn

## Supplies of Russia-made rolling stock to the Republic of Kazakhstan

**Project goal:** finance supplies of rolling stock (open cars, oil and petrol tank cars, covered cars and semi-trailer cars) manufactured by Novozybkovskiy Machine-building Plant to the Republic of Kazakhstan.

The project is a key driver to ensure full utilisation of capacities at Novozybkovskiy Machine-building Plant, a major business in the Bryansk Region. RailLeasing, a subsidiary of VEB-Leasing set up in the Republic of Kazakhstan to promote exports of Russia-made rolling stock in the region, acts as the borrower under the loan facility provided by Vnesheconombank. The project was financed in roubles through a 'credit to buyer' instrument via a loan lease scheme. Political risks of the transaction were insured by EXIAR.

## Strategic initiative Investment Lift

### GOALS AND MECHANISMS OF INITIATIVE IMPLEMENTATION

The strategic initiative "Investment Lift" is implemented under a quadripartite agreement signed by the Agency for Strategic Initiatives (ASI), Vnesheconombank (VEB), REC and RDIF at Saint Petersburg Economic Forum 2015.

The initiative is aimed at comprehensive support to mid-cap non-commodity companies with export potential. These companies are cherry-picked by a working group set up under the agreement.

### MEASURES OF COMPREHENSIVE SUPPORT TO INITIATIVE PARTICIPANTS

#### Financial support

- / Debt financing (VEB)
- / Financing to export contracts (VEB, REC)
- / Guarantees for export contracts (VEB)
- / Insurance of export contracts (REC)
- / Leasing (VEB)
- / Equity financing (RDIF)

#### Non-financial support

- / Administrative support (VEB, ASI)
- / Advisory support (VEB, ASI)
- / Information support (VEB, ASI)
- / Methodological support (ASI)

## Operations of the Russian Export Centre (REC)

### GOALS AND KEY AREAS OF REC'S OPERATION

The Russian Export Centre offers Russian exporters a full range of financial and non-financial services on a one-stop basis at all stages of the project's lifecycle: from primary consultations and support to relations with relevant ministries, agencies and government services to registration of, and support to, export transactions.

The Plan for Development of the Russian Export Centre for 2016–2018 provides for the following strategic goals of its operation:

- / diversify the structure of Russian exports and build up the share of non-commodity products;
- / set up a favourable environment to increase the amount of Russian exports and the number of Russian exporters; and
- / enhance the efficiency of, and consolidate, the system of support to exports.

### KEY INITIATIVES OF REC

The Centre prepares consistent plans of support to industrial sectors with high export potential: motor industry, microelectronics, etc.

The Centre works on establishing strong relations with federal executive authorities and key partners. The agreement on cooperation with the Russian Ministry of Industry and Trade signed in December 2015 was the most important outcome of these efforts.

Jointly with the Russian Ministry of Economic Development and the Patenting Foundation of Lomonosov Moscow State University, the Centre works on designing a facility to recover costs related to registration of intellectual property of Russian manufacturers and exporters in international markets.

The Centre has developed an educational project, "Organisation of Export Operations of Russian Enterprises", designed to help those companies that have no sufficient experience of export operations. The training is provided in the form of short-term career enhancement courses that combine resident classes and business trainings with online learning.

## Results of export support by the Vnesheconombank Group's entities in 2015

### RUSSIAN EXPORT CENTRE

FULL RANGE OF FINANCIAL AND NON-FINANCIAL SERVICES ON A ONE-STOP-SHOP BASIS

In 2015, REC received

**540** applications.

Based on examination of applications received in 2015, REC started implementing systemic support to promote more than

**200** export projects, including 38 projects where individual support plans were signed.

Key areas covered by applications for non-financial support to exports were:

- / analysis of the potential target market;
- / search for potential partners;
- / advice on customs clearance procedures and VAT refund;
- / obtaining international certificates;
- / protection of intellectual property;
- / organisation of business missions to other countries.

### EXIAR

INSURANCE OF EXPORT TRANSACTIONS

Exports supported by EXIAR in 2015 totalled

**6,573.24** USD mn.

In 2015, EXIAR provided insurance as part of putting in place the following strategic areas of operation:

- / insuring Russian exports against commercial and political risks;
- / supporting export-oriented SMEs; and
- / insuring Russian investments abroad against political risks.

In 2015, as part of examination of requests for insurance coverage, EXIAR evaluated environmental and social impact by export loans and investments.

### EXIMBANK OF RUSSIA

CREDIT AND GUARANTEE SUPPORT TO EXPORT TRANSACTIONS

In 2015, the loan portfolio for support to exports of Eximbank of Russia was increased to

**20.6** RUB bn.

Over the year, the bank signed loan and financing agreements to support non-commodity exports for more than

**45** RUB bn,

and ran an environmental and social due diligence of a number of export projects.



## 3.2 Support to SME

Vnesheconombank is a key institution for development of small- and medium-sized enterprises (SME) and focuses on supporting non-trading SMEs, including those operating in single-industry towns, in regions with social and economic issues and in Territories of Accelerated Development. This task becomes particularly relevant on the back of economic disturbances that led to lower amounts and tougher terms of lending to SMEs by commercial banks.

As of late 2015, the total amount of financing allocated by Vnesheconombank to SME Bank was

**61.3** RUB  
bn,

including investments in the authorised capital of

**19.24** RUB  
bn,

and a loan funded by the

**30** RUB  
bn

deposit placed by the National Wealth Fund with Vnesheconombank.

In 2015, Vnesheconombank continued implementing its programme of financial support to SMEs and a mechanism of guarantee-based support to medium-sized enterprises operated by SME Bank. To build the resource base for these activities, Vnesheconombank provides SME Bank with long-term loans and guarantees to secure obligations. SME Bank also acts as Vnesheconombank's agent in implementing the Baltic Initiative that provides for using a five-year USD 110 mn facility provided to Vnesheconombank by KfW, the German development bank, to lend funds to SMEs in Russian regions adjacent to the Baltic Sea.

Key highlights of 2015 include the launch of an initiative to consolidate the SME support functions in the Corporation for Development of Small- and Medium-

Sized Enterprises, which will become the single government SME development institution under Federal Law No. 156-FZ of 29 June 2015. To this end, on 28 December 2015, Vnesheconombank and the Corporation for Development of Small- and Medium-Sized Enterprises entered into a trust management agreement, under which 100% equity owned by Vnesheconombank in SME Bank is to be injected in the capital of the Corporation for Development of Small- and Medium-Sized Enterprises, which will manage them on behalf of Vnesheconombank. In April 2016, as part of further consolidation of SME support functions, Vnesheconombank transferred 100% equity in SME Bank to the Corporation for Development of Small- and Medium-Sized Enterprises in exchange for an interest in the Corporation.

## Results of the Programme for Financial Support to SME

As of late 2015, revenue of SMEs supported under the programme exceeded

**1,491** RUB  
bn.

As a result of their operation, over

**460** thousand jobs were created or retained, and over

**28** RUB  
bn were paid in taxes.

The programme for financial support to SME mainly seeks to make long-term financial resources more affordable for SMEs operating in economic sectors prioritised by the government. SME Bank implements the programme via a two-tier mechanism by financing SMEs through a network of partner banks and by setting up the support infrastructure such as leasing and factoring companies, micro-finance organisations and regional funds.

Under the programme, SME Bank provides SMEs with long-term and extremely affordable financial resources. As of late 2015, the average weighted interest rate for the portfolio of loans issued under the programme was 13.22% per annum. This is considerably below average market figures that reach 18%–19%

according to monitoring data from SME Bank's analytical centre.

New jobs are an important indicator of the programme's efficiency, including in the regions that are among public development priorities and in single-industry towns with severe social and economic issues. This support allows SME to invest in the upgrade and modernisation of their production infrastructure, leading to lower environmental footprint, better resource saving and higher performance.

### RESULTS FOR THE ENTIRE PERIOD OF THE PROGRAMME'S IMPLEMENTATION SINCE 2004

Number of SME entities that were supported under the programme:

**56,067**

Loans to SMEs:

**604,825** RUB  
mn

Number of partner organisations that were engaged in the programme:

**440**

### RESULTS AS OF LATE 2015

Number of SME entities that are supported under the programme:

**16,359**

Loans to SMEs:

**105,722** RUB  
mn

Number of partner organisations that are engaged in the programme:

**212**

### SUPPORT TO SMES WITHIN TARGET CUSTOMER SEGMENTS OF THE PROGRAMME

Loans to SMEs in national development priority regions (Far East, North Caucasus and Crimea):

**12,517** RUB  
mn

Support to SMEs and management companies that are residents of industrial parks:

**1,358** RUB  
mn

Support to SMEs in single-industry towns of Categories 1 and 2:

**4,883** RUB  
mn

Support to SMEs that manufacture goods and provide services for large businesses:

**7,593** RUB  
mn

## 3.3 Development of Public Private Partnerships

Vnesheconombank provides financial and non-financial support to government and local self-government authorities for preparation of projects based on public private partnership (PPP) principles in order to attract non-government financing sources for infrastructural and socially important projects. By engaging in the development of the PPP project market, we contribute to faster removal of infrastructural constraints to economic growth.

As of late 2015, laws on involvement of Russian regions in PPP projects were operating in

**65** Russian regions, including five laws adopted in 2015.

The adoption of Federal Law No. 224-FZ "On Public Private Partnership and Municipal Private Partnership in the Russian Federation and Amendments to Individual Legislative Acts of the Russian Federation"\* became a highlight event of 2015, which opens further opportunities for raising private investments in the development of public infrastructure .

The work on the law has been started in 2012 with active expert involvement of Vnesheconombank, including as part of the activities of the Expert Board on PPP Legislation of the Russian State Duma and the Working Group for Development of the PPP Law of the Russian Ministry of Economic Development. With the

adoption of the law, major hurdles and legislative gaps in regulation of PPP were removed at the federal level, and the basis for regional and local PPP legislation development was established.

To put in practice mechanisms set out in the federal law on PPP, legislators need to adopt relevant regulations as soon as possible and improve existing regional laws on involvement of Russian regions in PPP projects. In 2015, with the entry of the Federal Law into force, six Russian regions revoked their regional PPP laws and started drafting new versions compliant with the requirements of the federal legislation.

\* <http://www.kremlin.ru/acts/bank/39948>

## Investment advice

In 2015, in line with the Instruction by the Government of the Russian Federation, we continued performing the functions of the exclusive investment advisor on preparation of PPP projects for Russian regions. As part of these services, the Bank prepares legal, financial, economic and technical documentation on the project, drafts documents

required for a bidding procedure to obtain the right to enter into a PPP agreement / concession agreement, and provides advisory support during bidding procedures. The services result in preparation of a project compliant with the requirements of the relevant Russian region, financing organisations and potential investors.

### INVESTMENT ADVICE TO RUSSIAN REGIONS ON PREPARATION OF PPP INVESTMENT PROJECTS

- / In 2015, Vnesheconombank provided investment advice services on preparation of five PPP projects.
- / The cost of investment advice services provided by the Bank was RUB 92.8 mn.

### PERFORMANCE OF THE FUNCTIONS OF A FINANCIAL ADVISOR OF THE RUSSIAN GOVERNMENT WITH RESPECT TO PROJECTS APPLYING FOR GOVERNMENT SUPPORT FROM THE INVESTMENT FUND OF THE RUSSIAN FEDERATION

- / In 2015, Vnesheconombank monitored the spending of invested amounts with respect to nine projects that obtained government support from the Investment Fund of the Russian Federation.

## Programme of financial support to regional and urban development projects

As of late 2015, FCPF approved its involvement in the preparation of

**38** projects for regional and urban development, with FCPF's investment coming at

**7.2** RUB bn.

These projects are planned to create c.

**140** thousand new jobs and provide

**740** RUB mn of taxes.

Vnesheconombank is implementing a programme for financial support to regional and urban development projects through its subsidiary, the Federal Centre for Project Finance (FCPF).

Under the programme, FCPF provides financial, advisory and technical support to government and local self-government authorities in preparing regional and urban development projects for their subsequent implementation through non-government funding.

In 2015, the programme was implemented in the following priority areas:

- / development of urban and road facilities: motor infrastructure, airports, and MSW management;

- / development of social infrastructure in the healthcare, social support and tourism sectors;

- / integrated territory development: industrial parks, regional projects related to large-scale industrial construction, urban agglomerations.

FCPF's efforts to prepare regional and urban development projects include their evaluation from the perspective of social, economic and environmental impact. In 2015, FCPF approved the order "On Improving the Procedure for Evaluation of Social and Economic Effects of Projects Involving JSC FCPF" and evaluated social and economic effects with respect to all projects approved by FCPF.

## Results of preparation of regional and urban development projects by FCPF in 2015

Number of new projects approved by FCPF:	FCPF's investment in preparation of new projects:	Participation in bidding procedures by projects that involved FCPF's support:	Ratio of FCPF's expenses to investment in project preparation:	Yield on the portfolio of FCPF's involvement in project preparation:	Satisfaction of FCPF's customers:
<b>21</b> projects	<b>2.4</b> RUB bn	<b>6</b> projects	<b>22%</b>	<b>34%</b>	<b>88%</b>



Project initiator / implementer:  
**Russian Highways**

Preliminary amount  
of investment  
in the project:

**785** RUB  
bn.

**FCPF's involvement in the project:**  
investment advice services (cost of  
agreed services: RUB 559.7 mn)

**Completion of the project  
preparation:** August 2017

**Expected economic results  
of the project:**

- / aggregate increase  
in GDP by RUB 1.75 tn  
in 2015–2045;
- / specific increase in GDP  
by RUB 3.1 per invested  
rouble

**Expected social results  
of the project:**

- / create 30–40 thousand new  
jobs in the construction and  
related sectors at the route  
construction stage;
- / create 75–85 thousand  
new jobs in sectors related  
to the operation of the  
route's transportation and  
logistical infrastructure once  
commissioned

## International transportation route “Europe – Western China”

**Project goal:** increase the efficiency and traffic flow between Europe and China; develop the Russian motor infrastructure and ensure its transit potential; integrate Russia into the international system of labour division; and contribute to the social and economic development of Russian regions within the area affected by the transportation route.

Set up an international motor route, “Europe – Western China”, which is among the most ambitious transcontinental projects and which is planned to become the world's largest economic corridor with tremendous potential for intergovernmental and interregional relations. The total length of the route through the territories of Russia, Kazakhstan and China is about 8.5 thousand km, with the Russian leg of the route measuring c. 2.3 thousand km. The motor route is planned to pass through the territory of 10 Russian regions from Saint Petersburg to the border with the Republic of Kazakhstan.

The project's implementation will contribute to building a new belt of investment activities to develop transportation networks, set up energy, industrial, logistical and recreational facilities, increase the amount of international trade, and increase the level of employment. Eventually, all this is designed to give a strong impetus to the development of more than 20 Russian regions within the area affected by the route. Experts estimate that expected results of the project will include new industrial clusters in Leningrad, Nizhny Novgorod, Chelyabinsk, and Samara Regions, and in the Republics of Bashkortostan and Udmurtia.

FCPF is currently implementing a range of measures to prepare a project for construction of the transportation route “Europe – Western China” in the Russian Federation, including the drafting of documents required to substantiate the decision on selecting the financing source, implementation mechanisms and project structuring principles. By the end of 2015, FCPF developed the transportation model of the project, evaluated its macroeconomic effect, and designed preliminary financial and legal organisation structures of the project for specific sections of the route.

In 2015, Vnesheconombank allocated

**2** RUB mn

for charitable support to the PPP chair.

## Training personnel to develop PPP

The PPP chair was set up in 2010 at the Financial University of the President of the Russian Federation at the initiative of Vnesheconombank. The Department trains and retrains specialists to design and put in place PPP projects, and conducts fundamental and applied research to address the most pressing issues in building public infrastructure through PPP mechanisms.

Under an agreement for cooperation on training PPP specialists between the Financial University, FCPF and The Russian Highways State Company (Avtodor), in 2015, representatives of Avtodor read a set of lectures for the Department's master programme students as part of career enhancement courses. They also held a research workshop and a hands-on class on Structuring PPP Projects in the Road Industry.

In 2015, the PPP Department completed the development of a new two-year Master of Public Administration (MPA) professional retraining programme on Regional and Urban Development. Up to 25 students are planned to enrol on the pilot course, the programme expected to be launched in 2016. Additionally, the Department carried out a study on Development of Proposals to Organise Involvement of the Private Sector in Implementation of Projects for Provision of Public Services and Development of Public Infrastructure Taking into Account International and Russian Practices, with its results to be used in the educational process.

## Performance of the PPP chair in 2015

### CAREER ENHANCEMENT COURSES ON MANAGEMENT OF PUBLIC PRIVATE PARTNERSHIP PROJECTS ACROSS RUSSIA

The course intended for 72 academic hours was attended by

**90** students from

**32** Russian regions.

### MASTER PROGRAMME ON MANAGEMENT OF PUBLIC PRIVATE PARTNERSHIP PROJECTS

In 2015, the master programme saw its second class graduate, with

**12** students

obtaining a master degree.

**37** students continued their studies, including 27 students enrolled in 2015.

### TRAINING OF POSTGRADUATE STUDENTS ON ECONOMICS AND MANAGEMENT OF THE NATIONAL ECONOMY

**4** postgraduate students continued their research leading to the PhD degree.



# 4

## Improving the Investment Climate







ПРЕМИЯ  
РАЗВИТИЯ

ПРЕМИЯ  
РАЗВИТИЯ

ЛУЧШИЙ ПРОЕКТ  
В ОБЛАСТИ ЭКОНОМИКИ  
И «ЗЕЛЕНЬКОГО»

ЛУЧШИЙ ПРОЕКТ  
В СФЕРЕ ИНВЕСТИЦИЙ  
И ВЫСОКИХ ТЕХНОЛОГИЙ

2015

2015

2015

2015

2015

ПРЕМИЯ  
РАЗВИТИЯ

## 4.1 Raising Investments

Vnesheconombank takes long-term market loans in the domestic and international capital markets to build the resource base required to expand its investment lending operations, maintain the cost of funding at an acceptable level and ensure its own financial stability. On the back of sanctions imposed on Vnesheconombank that considerably constrain its access to international capital markets, we view as our priority diversification of funding instruments and expansion of the investor universe.

In 2015, Vnesheconombank organised and streamlined the funding for a total equivalent to

**242.7** RUB  
bn

by tapping into the domestic capital and international interbank loan markets.

In 2015, Vnesheconombank particularly focused on intensifying relations with financial institutions of Asian-Pacific and Middle East countries, and the New Development Bank (NDB) created to finance long-term infrastructural projects in BRICS countries.

In 1H 2015, Vnesheconombank was actively involved in the preparation and finalisation of the language of the Memorandum of Intent on cooperation between the NBD and banks participating in the BRICS interbank cooperation mechanism. The document was signed at the Financial Forum of BRICS in Ufa in July 2015. In 2H 2015, Vnesheconombank assisted in drafting internal policies of the NBD on cooperation with national development institutions of BRICS countries. Additionally, proposals on financing for a number of Vnesheconombank's projects, agreed with the Russian Ministry of Finance, were sent to the NBD. Later on, Vnesheconombank is planning to assist NBD in entering the Russian market for rouble funding.

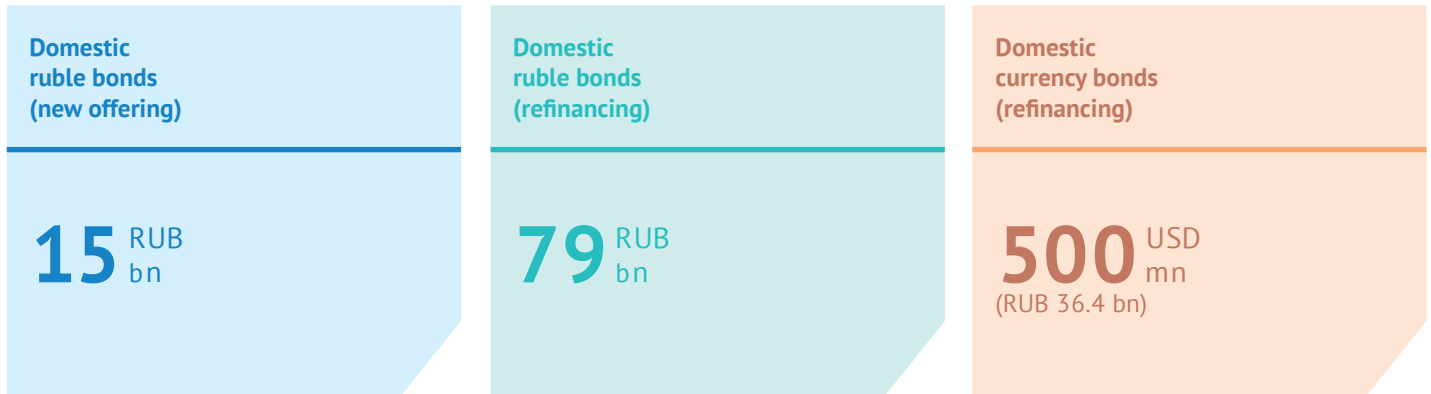
The signing of the first in the Bank's history CNY-denominated agreement was the most important result of Vnesheconombank's operation in the international financial market, which will contribute to reducing the exposure of the Bank to USD funding. The CNY 10 bn

agreement made with the China Development Bank provides that Vnesheconombank will finance projects implemented in the Russian Federation involving Chinese companies, and projects for supply of finished products made in Russia to China.

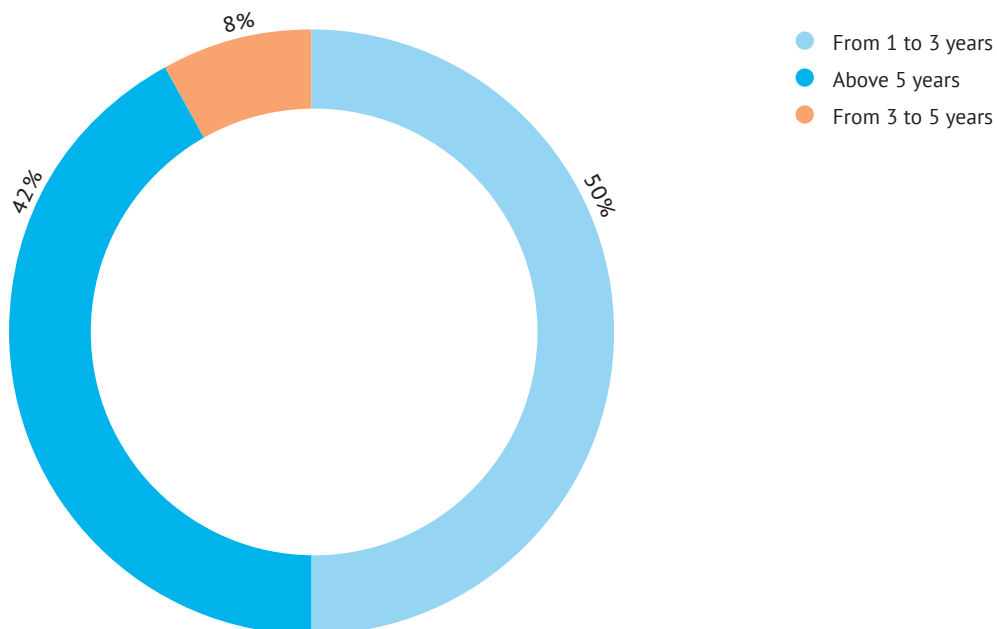
In 2015, Vnesheconombank was planning to enter new capital markets through the potential creation of a borrowing programme in China's mainland market (Panda bonds), and CNY-denominated bonds and other instruments oriented towards Chinese investors in the Russian market. A working group on alternative finance set up by the Bank specifically for this purpose also considered recurring to Islamic financing tools. The Bank stepped up its relations with the Islamic Development Bank, with a memorandum of understanding expected to be signed in 2016.

As part of borrowings in the domestic market, Vnesheconombank ran preparatory work to diversify its funding instruments. As a result, among other things, the Bank registered a multi-currency programme of bonds for RUB 300 bn, USD 10 bn and EUR 5 bn. The Bank also considered offering a floating rate CPI-linked bond to finance its investment projects.

## Borrowings by Vnesheconombank in 2015



## Breakdown of borrowings by Vnesheconombank in 2015 by maturity, subject to refinancing



## Agreements reached by Vnesheconombank with foreign financial institutions in 2015

<b>Loan agreement with China Development Bank</b>	<p>The CNY 10 bn loan agreement provides that Vnesheconombank will finance projects implemented in the Russian Federation involving Chinese companies, and projects for supply of finished products made in Russia to China</p>
<b>Framework agreement with China Development Bank</b>	<p>The USD 8 bn framework agreement provides for a long-term loan to Vnesheconombank to finance projects in the Far East and in Siberia</p>
<b>Agreement with The Export-Import Bank of China</b>	<p>The agreement provides for a CNY 3.9 bn credit facility to be made available to Vnesheconombank to finance a project for Organisation of Metallurgical Manufacturing of Manganese Ferro-Metals Used in Special Steel Making</p>
<b>Memorandum of Understanding with The Export-Import Bank of China</b>	<p>The Memorandum was signed as part of a project for Comprehensive Development of the Bystrinskoye Deposit of Gold, Iron and Copper Ores in the Transbaikal Territory</p>
<b>Exchange letters with the Export Import Bank of India</b>	<p>Exchange letters provide for the prolongation of the term of a USD 100 mn framework loan agreement between Vnesheconombank and the Export Import Bank of India</p>

## 4.2 Developing HR Potential in the Investment Market

We aim at building better investment climate that would accelerate social and economic development of Russia by taking active part in the development of human resources of investment market players subject to best international practices of financial institutions. To this end, we run awareness initiatives among the young, support the development of relevant universities and share experience with our international partners.

In 2015, Vnesheconombank organised

**10** regional hands-on workshops and conferences as part of its educational project, which were attended by

**597** participants.

In 2015, Vnesheconombank continued implementing its educational project, “Training of Specialists for Participation in Investment Projects Supported by Development Institutions”. The educational project’s target audience includes employees and executives of companies, public officials and administrative employees, independent and other experts whose professional activities are related to planning, preparation, evaluation, analysis and monitoring of investment projects.

In 2015, as part of its educational project, Vnesheconombank organised 10 regional trainings focused on export support mechanisms, organisation of PPP projects and support to SME.

Over the year, the Bank also designed and put in place new trainings on support to exports in the SME sector and share pledges to secure loans.

To follow up performance under the educational project, Vnesheconombank runs ongoing surveys of its participants to adjust the content and organisation of the programme accordingly. The results of the surveys are used to build an index of satisfaction of its participants. In 2015, it was 4.58 points out of maximum 5.

## Events within Vnesheconombank's educational project held in 2015

Hands-on workshops		
/ Vnesheconombank Group: Mechanisms for Support to Exports in Urals Federal District	Chelyabinsk	47 participants
/ Vnesheconombank: Organisation of Public Private Partnership Projects	Ufa	64 participants
/ Vnesheconombank Group: Mechanism of Support to Exports	Yessentuki	50 participants
/ Vnesheconombank Group: Mechanism of Support to Exports	Krasnoyarsk	66 participants
/ Vnesheconombank: Preparation of Investment Projects and Public Private Partnership Projects	Astrakhan	60 participants
/ Vnesheconombank: Preparation of Investment Projects, Including Based on PPP Mechanisms	Vladimir	44 participants
/ Financial Programmes of Support to Small- and Medium-Sized Enterprises	Vladimir	48 participants
/ Comprehensive Support of Russian Exporters	Vladimir	31 participants
Conferences		
/ Anti-Crisis Programmes for Small- and Medium-Sized Business in the Context of Economic Transformation. Measures of Government Support to Small- and Medium-Sized Enterprises in Primorye Territory. Government Support to Exports	Vladivostok	138 participants
/ Export-Oriented Small- and Medium-Sized Enterprises as the Innovative Basis for Competitiveness of the Regional Economy	Astrakhan	49 participants

## Initiatives of Vnesheconombank Group's entities to increase financial literacy of customers and partners

### SME Bank

- / Under the Programme for Financial Support to SMEs, the bank organised 13 regional conferences, 4 workshops and 2 forums that involved over one thousand and a half representatives of the business community, government authorities and public organisations
- / Four hands-on workshops and three business lunches were organised for SME Bank's partners under the Programme for Financial Support to SMEs and attended by more than 150 representatives of the business community
- / 10 crush tests involving c. 500 representatives of the business community were held to examine 29 SME projects

### BelVEB

- / The Financial Literacy subsection was created on the bank's website for retail customers of the bank
- / More than 40 organisations in the Republic of Belarus held a number of awareness events to increase financial literacy among their staff and promote banking services

### EXIAR

- / EXIAR organised a series of events, "Russian Regions: New Points of Growth" (Nizhniy Novgorod)
- / EXIAR organised four regional conferences and seven workshops, including six events on support to SMEs, held together with Vnesheconombank
- / EXIAR held a round table "Government Financial Support to Exports and Investment" (Samara)
- / EXIAR held a meeting of the Club of Exporters in the Lipetsk Chamber of Commerce and Industry

### REC

- / REC organised a conference "Russian Non-Commodity Exports: Economic Development Vector" (Moscow)
- / Together with the Roscongress Foundation and the Agency for Strategic Initiatives, REC organised an outreach session and a briefing on support to exporters on a one-stop-shop basis (Nizhniy Novgorod)

### FCPF

- / FCPF organised a workshop "Drafting Concession Agreement for Public Utility Infrastructure" (Kemerovo Region)
- / FCPF organised a workshop on Public Private Partnership: Current State, Application, Legal Regulation, Project Implementation Formats, and Successful Sectoral Practices in Russian Regions (Kemerovo Region)

### RDIF

- / As part of the Invest in Russia programme, RDIF organised a workshop where representatives of regional investment agencies and development corporations from across 20 Russian regions were presented with an overview of best international practices for preparation of investment projects to be submitted to foreign investors (Moscow)

### VEB Asia

- / VEB Asia organised a workshop on exchange of experience in financing the construction of affordable homes involving Chinese and Russian experts (Beijing)

## Initiatives on youth relations

In 2015, over

**600** students and young professionals from major Russian universities underwent practical training and internships at Vnesheconombank and the Group's entities.

Our initiatives on youth relations are aimed at building a talent pool to gain a foothold for future active growth of the Russian economy. The Bank places particular emphasis on encouraging applied and fundamental research among the young and on raising the level of financial and investment literacy of young professionals.

Vnesheconombank's educational activities are carried out in close interaction with top Russian universities, primarily the Financial University under the Government of the Russian Federation, Moscow State Institute of International Relations, and Lomonosov Moscow State University. The most talented bachelor's and master's students of these universi-

ties are offered an opportunity to take practical trainings and internships at Vnesheconombank and the group's entities, as well as obtain personal scholarships for academic excellence.

Since 2012, to encourage the most active bachelor's and master's students, and young researchers from leading Moscow universities to be more creative, Vnesheconombank has been supporting the Youth Club, a permanent discussion venue where the participants may discuss non-trivial solutions, national and regional development issues. The results of research by the Club's participants are actively used by Vnesheconombank as part of its operations.

## Initiatives of Vnesheconombank on work with young people implemented in 2015

Vnesheconombank's Youth Club		Investment Management Workshop	
<ul style="list-style-type: none"> <li>/ The Integrated Territory Development Club held 10 meetings for its applied research section</li> <li>/ 115 bachelor's and master's students, and young researchers from top Moscow universities took part in the work of the Club, including seven young disabled persons</li> <li>/ The Club's participants have drafted data sheets on industrial sites in single-industry towns that were published on Vnesheconombank's website</li> </ul>		<ul style="list-style-type: none"> <li>/ The Investment Management Workshop was held for four days as part of the International Youth Industrial Forum "Engineers of the Future – 2015" in Chelyabinsk Region</li> <li>/ 30 young professionals from across 16 Russian regions took part in the event</li> <li>/ After the Workshop, 28 participants received certificates of the educational project "Training Specialists for Participation in Investment Projects Supported by Development Institutions"</li> </ul>	
Practical trainings at Vnesheconombank	Internships at Vnesheconombank	Vnesheconombank's scholarship	
<ul style="list-style-type: none"> <li>/ 100 bachelor's and master's students of top universities from 15 Russian regions and CIS countries took practical trainings at Vnesheconombank</li> <li>/ As a result, 12 young professionals were employed by Vnesheconombank</li> </ul>	<ul style="list-style-type: none"> <li>/ One young professional who took part in the International Youth Forum "Engineers of the Future – 2014" took an internship at Vnesheconombank</li> </ul>	<ul style="list-style-type: none"> <li>/ One-off scholarships for academic excellence for a total of RUB 1.36 mn were granted to 22 students from three Moscow universities</li> </ul>	



## The Vnesheconombank Group's youth awareness initiatives in 2015

### SME BANK

- / Jointly with the Financial University under the Government of the Russian Federation, SME Bank organised the Master's Magic academic competition and the Third Applied Research Conference "Support to Development of Small- and Medium-Sized Enterprises: International Experience and Russian Practices".
- / Three students from the Financial University under the Government of the Russian Federation received personal scholarships.
- / Two business games were organised in Pyatigorsk and Krasnoyarsk for students of branches of the Russian Presidential Academy of National Economy and Public Administration.
- / A workshop was organised for MBA students in Banks of the Russian Presidential Academy of National Economy and Public Administration.

### BELVEB

- / BelVEB organised meetings with students from 29 educational institutions of the Republic of Belarus during the Week of Financial Literacy for Children and Youth dedicated to the International Finance Day.
- / BelVEB arranged for a series of lectures for students of the Polesky State University, with subsequent testing on Retail Banking Services.

### FCPF

- / FCPF continued its participation in the operations of the Public Private Partnership department of the Financial University under the Government of the Russian Federation, including as part of organising the PPP Project Management Master's Programme.

### NCDC

- / As part of the Mashhuk-2015 youth forum, NCDC organised a panel discussion on development of business initiatives involving top executives of major Russian companies.

### THE FAR EAST AND BAIKAL REGION DEVELOPMENT FUND

- / The fund organised the work at the Iturup National Youth Educational Forum that brought together young professionals whose research and creative interests are related to the development of the Russian Far East.

### VEB ASIA

- / VEB Asia organised a workshop on career guidance and particularities of business conduct in China for a delegation of students of Moscow State Institute of International Relations.

## 4.3 Development Award

The annual national Development Award organised by Vnesheconombank aims to support sustainable social and economic development of the Russian Federation, promote best practices in project management and foster favourable investment climate across Russian regions. Through this initiative, we are able to evaluate investment processes existing in the country while identifying current challenges and potential points of growth.

In 2015, the Development Award first included four new nominations.

**289** applications from  
**60** Russian regions  
were submitted for  
participation in the Award.

In 2015, Vnesheconombank organised its third Development Award for outstanding achievements in implementing nationally important investment and export projects. Despite its short history, the Award has already become widely acclaimed, attracting an increasing number of participants from year to year. The record high number of applications submitted for the 2015 Award bears out the strong interest in the Award from the business community and also witnesses that the country is implementing a sufficient number of investment projects that merit being distinguished at the highest level.

The key innovation of the 2015 competition was that the range of project themes that may claim an award was considerably expanded. For the first time in its history, the Award was given in four new categories that match the priority areas of the development bank:

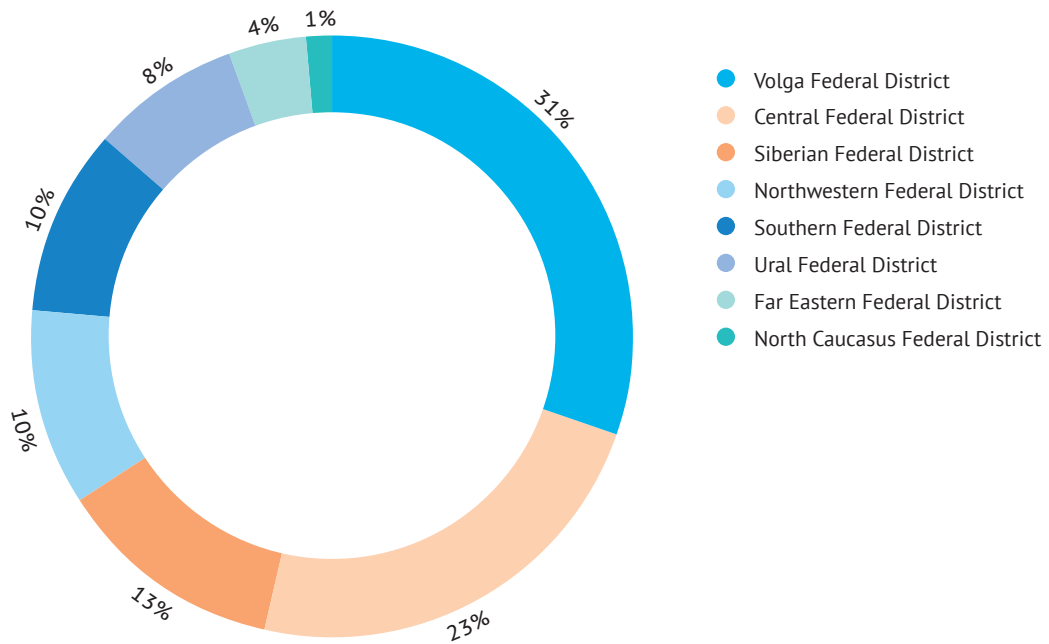
- / Best Innovative and High-Tech Project;
- / Best Environmental and Green Project;
- / Best Export Project; and
- / Best Foreign Investment Project.

Important criteria for project evaluation included the innovative component, export or import-substitution vector of the projects, and socio-economic and environmental effects of their implementation. The award winners were determined by the Award Board consisting of leading Russian experts. The Commission's decision was approved by the Supervisory Board of Vnesheconombank. The award ceremony was held as part of the 9th Saint Petersburg International Economic Forum in the presence of Sergey Ivanov, Head of the Administration of the Russian President, in June 2015.

### Number of applications for participation in the Award in 2013–2015



### Regional breakdown of applications for the Award in 2015



## Nominations for the Development Award – 2015

### BASIC NOMINATIONS OF THE AWARD

#### BEST SME PROJECT

Number of applications:

# 69

**Winning project:**

Centre for Prosthetics, Orthotics, Comprehensive Rehabilitation and Disability Prevention

**Winning company:**

LLC Medical Rehabilitation Centre Ortho

#### BEST INDUSTRY PROJECT

Number of applications:

# 50

**Winning project:**

Creation and Modernization of Deep Wood Processing Integrated Production Facilities in the city of Sosnovoborsk and the village of Verkhnepashino of Krasnoyarsk Territory

**Winning company:**

LLC Sibles Project

#### BEST INFRASTRUCTURE PROJECT

Number of applications:

# 42

**Winning project:**

Construction and Operation of The Western High-Speed Diameter Motorway

**Winning company:**

LLC Northern Capital Highway

#### BEST PROJECT FOR INTEGRATED DEVELOPMENT OF TERRITORIES

Number of applications:

# 22

**Winning project:**

Special Economic Zone of Industrial-Production Type "Alabuga"

**Winning company:**

OJSC Special Economic Zone of Industrial-Production Type "Alabuga"

## NEW NOMINATIONS OF THE AWARD

**BEST INNOVATION /  
HIGH-TECH PROJECT****Number of applications:****45****Winning project:**

Development of a High Technology Inertial Satellite Navigation System of NSI Series based on Laser Gyroscopes and Development of Laser Gyroscope Base Plates Nano-Polishing Technology

**Winning company:**

CJSC LAZEKS

**BEST ENVIRONMENTAL AND  
GREEN TECHNOLOGY PROJECT****Number of applications:****43****Winning project:**

Construction of the First 5 MW Solar Grid Power Station in Russia in the Village of Kosh-Agach of the Altai Republic

**Winning company:**

LLC Havel

**BEST EXPORT  
PROJECT****Number of applications:****15****Winning project:**

CHPP-4 in Ulaanbaatar (Supply of the Turbine and Auxiliary Equipment Commissioning of the Power Plant's Generation Unit)

**Winning company:**

The Urals Turbine Works

**BEST FOREIGN  
INVESTMENT PROJECT****Number of applications:****3****Winning project:**

Reconstruction and Upgrading of Pulkovo Airport on Public Private Partnership Principles

**Winning company:**

Northern Capital Gateway LLC

A close-up photograph of two hands clasped together, with fingers interlaced. The skin is light-toned and the lighting is soft, creating a sense of connection and support. The image is split diagonally, with the top-left portion being white and the bottom-right portion being a blurred background of the hands.

# 5

## Investing in the Community



## 5.1 Investment of Pension Savings

Our key tasks as the government trust manager of pension savings (GTM) and government trust manager of payout reserve (GTMPR) consist in minimising the liquidity risk to ensure repayment of pension savings to the Pension Fund of the Russian Federation (PFR) and deliver positive yield on invested pension savings.

In 2015, Vnesheconombank posted record high income on invested pension savings over the entire period of the Bank's operating as GTM.

Return on invested PR was

**13.15%**,

and that on the government securities portfolio was

**15.31%**,

which is above the inflation rate of 12.90% recorded in 2015.

Vnesheconombank has been managing retail pension savings as trustee since 2003. In performing its GTM functions, the Bank builds two investment portfolios: the Extended Investment Portfolio (EIP) and the government securities investment portfolio (GSIP). With these two portfolios, the Bank is able to more efficiently invest retail deposits in various highly-reliable stable-return financial instruments.

In 2012, the Payout Reserve of the PFR intended to be used for payouts of accumulative age pensions was also placed under trust management of Vnesheconombank. As part of its GTMPR functions, the Bank builds the Payout Reserve Investment Portfolio (PRIP) and the Fixed Term Investment Portfolio (FTIP).

In performing its functions of GTM and GTMPR, Vnesheconombank prioritizes interests of its retail customers whose pension savings are in trust management of GTM and GTMPR over the interests of the Bank itself. Investment portfolios built from pension savings are segregated from all other property of the Bank.

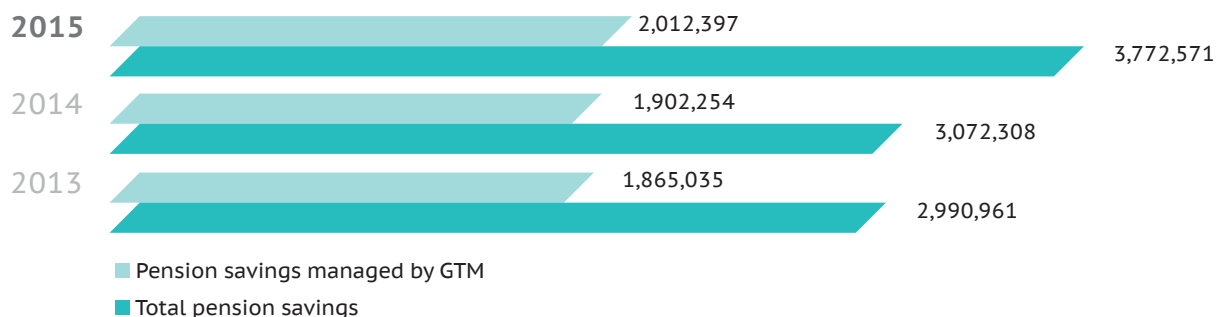
The Bank's operations as GTM and GTMPR are strictly aligned with Russian laws, legal regulations of the Russian President and the Government of the Russian Federation, and regulatory documents of the Russian Ministry of Finance and the Bank of Russia. The Bank has in place the Committee for Trust Management of Pension Savings to work out the most efficient strategy for investing assets under management by GTM and GTMPR.

As of late 2015, the total net asset value in which pension savings under trust management by GTM were invested came at RUB 2,012,397 mn. In 2015, Vnesheconombank repaid over RUB 400 bn of pension savings at request of the PFR to meet applications of retail customers on transferring their funds to a non-government pension fund or on selecting the investment portfolio of the managing company. As a result, GTM's share in the total pension savings dropped to 53.34% as compared to 61.92% at the end of the previous reporting period.



## Performance by pension savings

(RUB mn)



## Return on investment of pension savings

In 2015, the ROI delivered by Vnesheconombank on pension savings was 13.15% for the EIP and 15.31% for the GSIP, which is above the 2015 inflation rate of 12.90%. Among other things, this result was due to Vnesheconombank continuing building up its investment of EIP assets to higher-yield corporate bonds as compared to Russian government securities in 2015, including bonds secured with a government guarantee of the Russian Federation, mortgage-backed bonds, bonds of international financial organisations and bonds issued by Russian regions.

As of late 2015, the total share of corporate bonds in the EIP grew to 40.23% as compared to 37.96% as of the end of the previous reporting period. The amount of investments in non-government bonds was up from RUB 718.05 bn to RUB 800.52 bn. Additionally to put aside funds to be returned to the PFR, in 2015 the Bank deposited RUB 332.99 bn of pension savings with commercial banks, which also pushed the EIP's yield up.

In 2015, to mitigate the risk of negative revaluation of the GSIP, Vnesheconombank took steps to increase its immunity

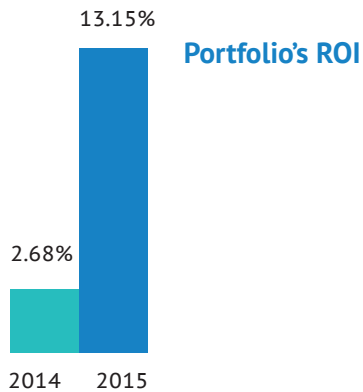
by investing pension savings in Russian bonds secured with a government guarantee of the Russian Federation. The share of such bonds that offer a higher yield than government bonds of the Russian Federation in the GSIP increased from 31.89% as of late 2014 to 41.14% as of late 2015. As a result, the amount of the GSIP invested in bonds secured with a government guarantee of the Russian Federation grew from RUB 3,359.77 mn to RUB 9,328.32 mn.

By placing additional pensions savings from contributions to the PFR for 2H 2013 under management of the GTM, Vnesheconombank was able to allocate over RUB 100 bn to acquire bonds issued by Russian businesses, including by major infrastructural and manufacturing companies such as FGC UES, Russian Railways and KAMAZ. When taking decisions on investing pension savings in bonds of these companies, the Bank was guided by key principles of investment in the best interests of the insured, including full compliance of the bonds with the existing reliability criteria.

## Extended Investment Portfolio (EIP)

Net asset value  
as of late 2015

**1,989,721.62** RUB  
mn



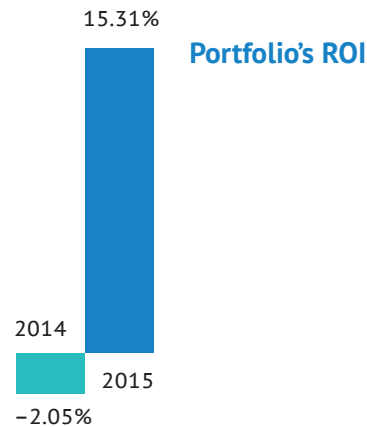
### Investment instruments

- / Government securities of the Russian Federation
- / Corporate bonds of Russian issuers, including those secured with a government guarantee of the Russian Federation
- / Bonds issued by Russian regions
- / Mortgage-backed bonds
- / Bonds issued by international financial organisations
- / Cash and deposits in Russian roubles and other currencies

## Government Securities Investment Portfolio (GSIP)

Net asset value  
as of late 2015

**22,675.03** RUB  
mn



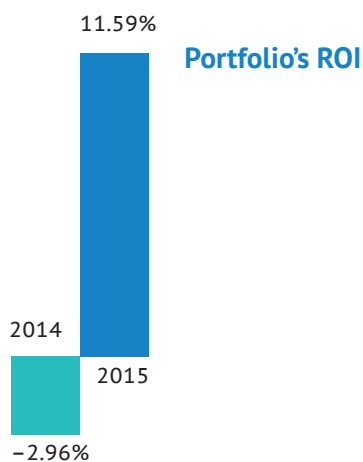
### Investment instruments

- / Government securities of the Russian Federation
- / Bonds of Russian issuers secured with a government guarantee of the Russian Federation
- / Cash in Russian roubles and other currencies

### Payout Reserve Investment Portfolio (PRIP)

Net asset value as of late 2015

**4,909.04** RUB mn



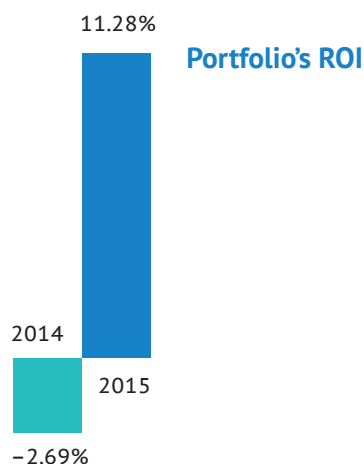
#### Investment instruments

- / Government securities of the Russian Federation
- / Corporate bonds of Russian issuers, including those secured with a government guarantee of the Russian Federation
- / Bonds issued by Russian regions
- / Mortgage-backed bonds
- / Bonds issued by international financial organisations
- / Cash and deposits in Russian roubles and other currencies

### Fixed-Term Investment Portfolio (FTIP)

Net asset value as of late 2015

**564.30** RUB mn



#### Investment instruments

- / Government securities of the Russian Federation
- / Corporate bonds of Russian issuers, including those secured with a government guarantee of the Russian Federation
- / Bonds issued by Russian regions
- / Mortgage-backed bonds
- / Bonds issued by international financial organisations
- / Cash and deposits in Russian roubles and other currencies

## 5.2 Charity and Sponsorship

As part of its charitable and sponsorship activities, Vnesheconombank has been traditionally paying particular attention to support for healthcare, education, culture and sports, and operating as a sponsor and partner of top Russian and international economic forums and conferences. Every year we take part in charitable and sponsorship projects aimed to support publicly important institutions, retain the cultural heritage, build a positive image of Russia and improve the investment climate.

The amount and key areas of charitable and sponsorship activities of Vnesheconombank Group remained flat in 2015.

For the Group in general, over

**2.5** RUB  
bn

were allocated to charity, and

**1.4** RUB  
bn,

to support sponsorship projects.

At the heart of the charitable programme of Vnesheconombank for 2015 lie projects supported by the Bank for many years and meeting its key investment priorities set out in the Memorandum on the Financial Policy of Vnesheconombank. All decisions to provide charitable and sponsorship support were approved by Vnesheconombank's Supervisory Board led by the Chairman of the Government of the Russian Federation.

Universal commercial banks – Globexbank, Sviaz-Bank, BelVEB and Prominvestbank and such large entities of the Group as SME Bank and VEB-Leasing – have been traditionally allocating the bulk of charitable support.

Key sponsorship projects of Vnesheconombank are aimed at supporting professional sports. The Group's entities primarily focus their sponsorship activities on support to economic forums, conferences and other large-scale events aimed to foster the business environment and support cooperation, including internationally. In 2015, the largest sponsorship projects were implemented by Sviaz-Bank, SME Bank, EXIAR and FCPF.

## Charitable projects implemented by the Vnesheconombank Group's entities in 2015

- / **Globexbank** continued its support to the largest Russian literary award “Russian Booker” established in 1991 to promote the traditional humanistic system of values of the Russian literature.
- / **VEB-Leasing** has been annually supporting children’s municipal educational institutions. In 2015, due to the closure of several regional units, VEB-Leasing handed over furniture owned by it to be installed in schools, orphanages and other children’s institutions.
- / **SME Bank** provided charitable support to implement healthcare projects and projects for support to socially vulnerable groups, including wards of the Children’s Charitable Fund “SOS Children’s Villages”
- / **BelVEB** continued to finance a five-year programme for facsimile edition of books of Francysk Skaryna, the first East Slavic printer, provide support to the National Academic Bolshoi Opera and Ballet Theatre of the Republic of Belarus, and provided charitable support to healthcare institutions, including the Minsk City Clinical Oncologic Dispensary.
- / **Prominvestbank** continued its long-standing relations with the Lesya Ukrainka National Academic Theatre of Russian Drama. With the financial support of the bank, the Theatre was able to open “A Doll’s House” by Henrik Ibsen. As before, the bank transferred most of its charitable budget to the trade union to support its current and former long-service employees, as well as disadvantaged people.



## Charitable activities of Vnesheconombank

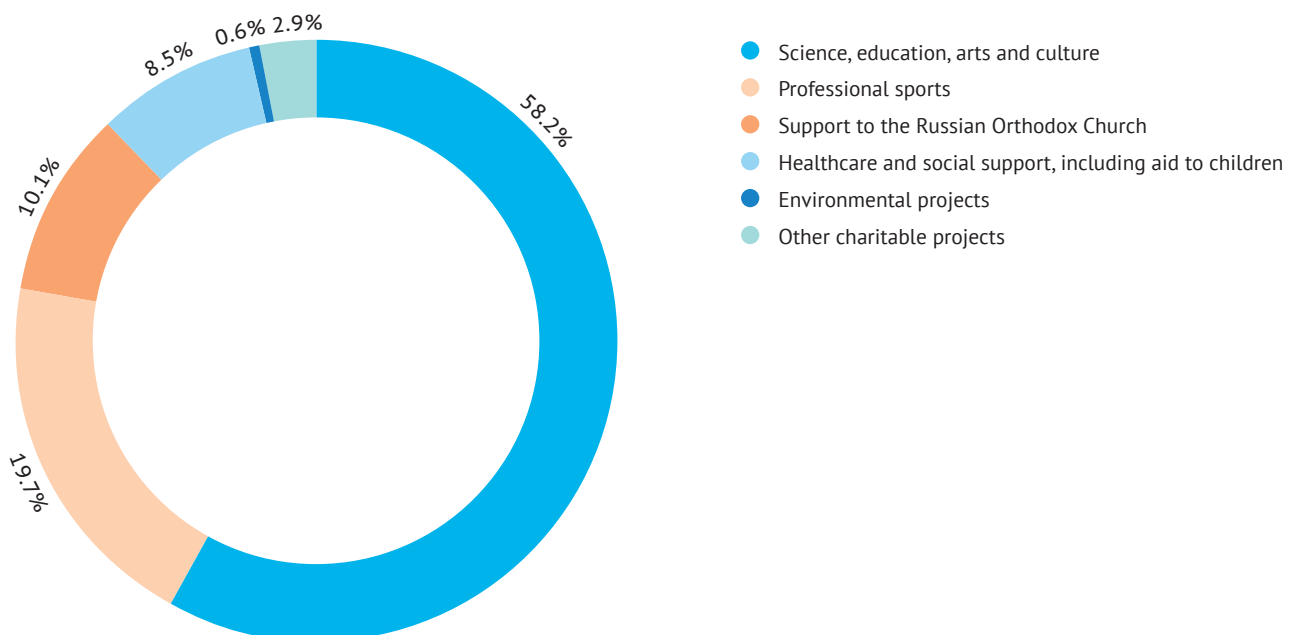
### Support to N. N. Blokhin Russian Cancer Research Centre

In 2015, Vnesheconombank continued to provide charitable support to N. N. Blokhin Russian Cancer Research Centre, a leading Russian cancer clinic that ranks among major global cancer centres. The Centre's key tasks include fundamental and applied research and highly qualified medical aid to cancer patients.

The centre provides its services to five research institutes that can handle over one thousand patients at a time, as well as thirty-seven laboratories and eight departments of medical academies and universities. With charitable donations of Vnesheconombank, the cancer centre has been able to purchase, for more than 20 years, medical equipment to develop and implement state-of-the-art medical technologies.

The Bank also traditionally took part in the annual holiday "Sunny Day" for children who were successfully treated in the Children's Oncology and Haematology Research Institute of the Cancer Centre. In 2015, the event was attended by 180 patients and 70 doctors of the clinic who were presented a stage play based on The Tinderbox fairy tale by Hans Christian Andersen.

## Areas of charitable activities by Vnesheconombank Group in 2015





## Sponsorship by Vnesheconombank

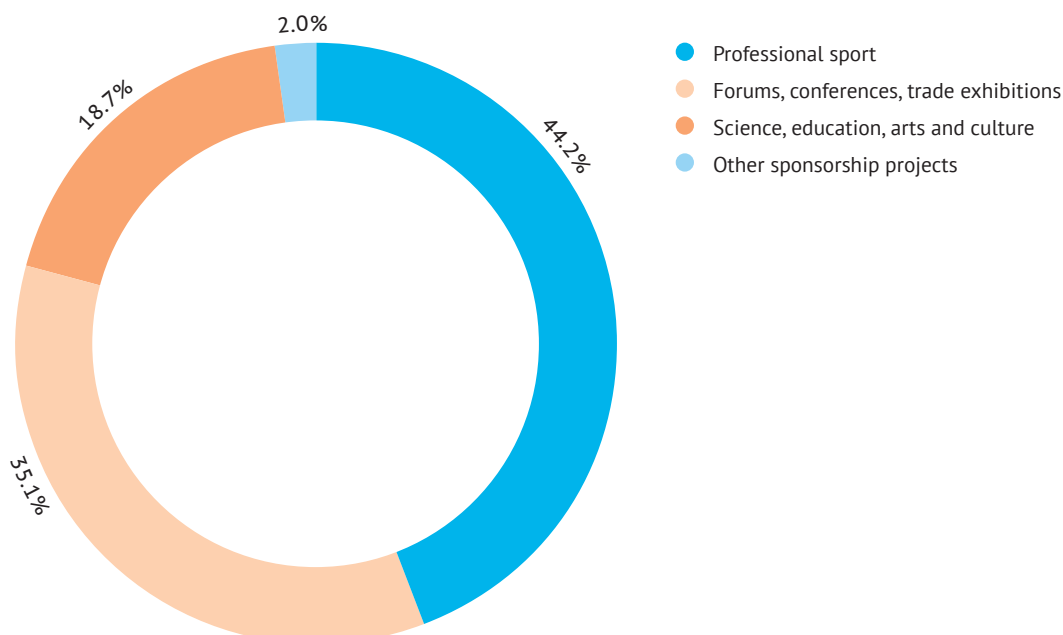
### Support to EXPO-2015 Universal Exhibition

From 1 May to 31 October 2015, Milan hosted the EXPO-2015 Universal Exhibition, with Vnesheconombank as a key Russian sponsor. Over 140 countries, including Russia, took part in this major economic forum held every five years. Over six months of its operation, the exhibition was visited by more than 20 million people.

The EXPO Universal Exhibition has been held on an annual basis since 1851. It offers the participating countries a unique chance to demonstrate their scientific achievements and discoveries to a broad international audience. In different years, the greatest invention of mankind and then innovative technologies were first introduced to the public at the exhibition, including the X-ray device, fluorescent lamp, mobile phone and touch screen.

In 2015, the exhibition's motto was "Feeding the Planet, Energy for Life". At the exhibition, participating countries came up with their solutions to environmental and food security issues. The visitors paid particular attention to the pavilion of Russia as a country that accounts for the tenth part of all arable lands and the fifth part of all fresh water reserves.

## Areas of sponsorship activities by Vnesheconombank Group in 2015





# 6

## Corporate Governance







## 6.1 Corporate Governance System

Vnesheconombank views the task of building a robust corporate governance system as a priority and a pre-requisite for the Bank to successfully perform its functions of a development bank and to ensure its own financial resilience. Corporate governance standards adopted in the Bank are based on the best Russian and international practices and are rolled out throughout the decision-making hierarchy.

On 26 February 2016, Sergey Gorkov was appointed Chairman of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" by Executive Order No. 85 of Russian President Vladimir Putin.

Under Federal Law No. 82-FZ "On Bank for Development" of 17 May 2007, governing bodies of Vnesheconombank include Vnesheconombank's Supervisory Board, Vnesheconombank's Management Board and Vnesheconombank's Chairman. To enhance the efficiency of its decision-making process, the Bank has in place 10 committees and 3 working groups that prepare and thoroughly analyse documents submitted to the Bank's governing bodies for examination. The Expert Council is a standing deliberative and advisory body of the Bank that takes part in due diligence of the Bank's investment projects and projects under programmes for support to exports.

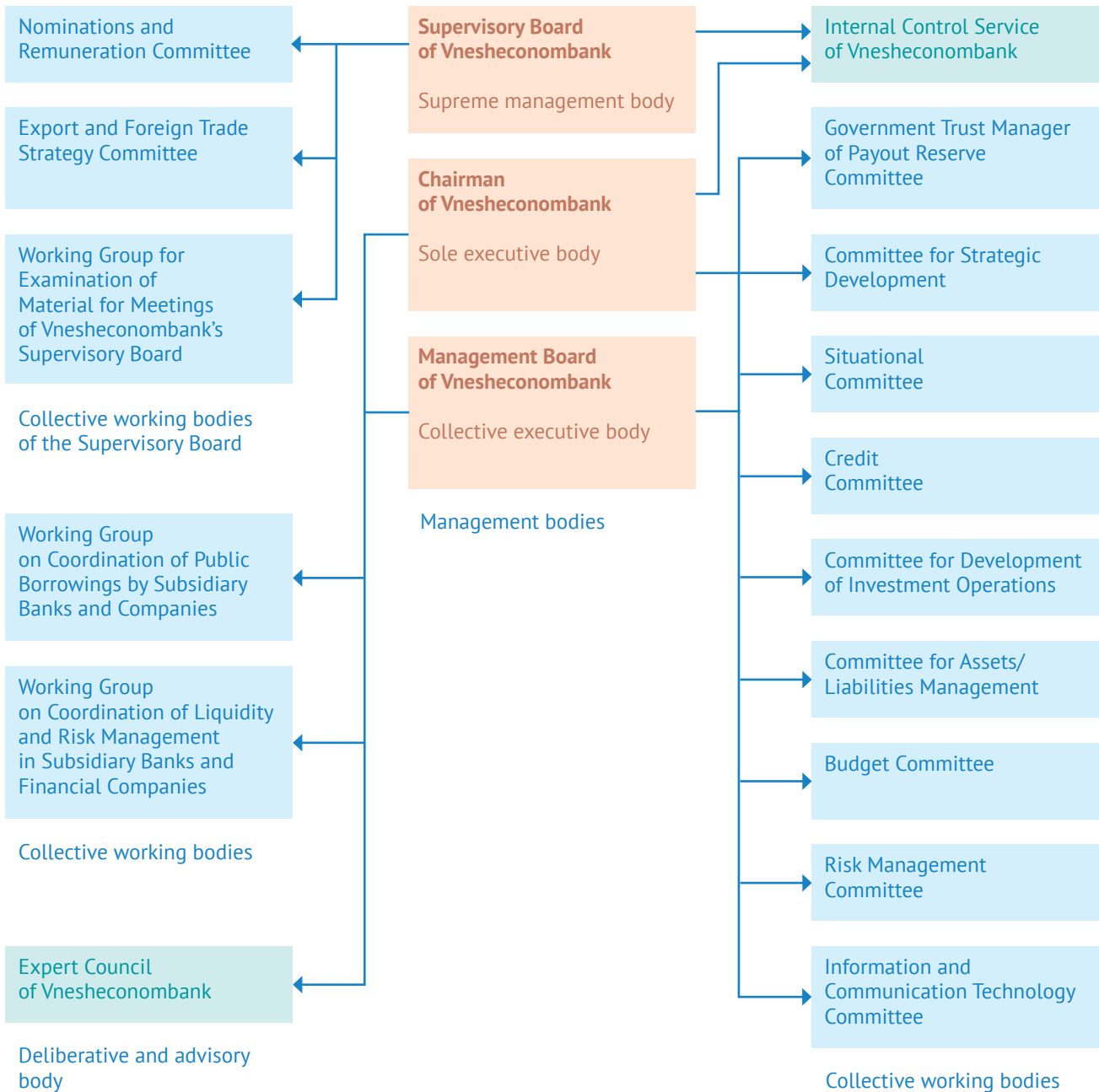
In 2015, Vnesheconombank's Supervisory Board held 23 meetings and Vnesheconombank's Management Board held 237 meetings where these agencies examined the issues listed below and related to key areas of the Bank's operation:

- / lending and investment;
- / exports and guarantees;
- / interest in capitals of third-party organisations and issues related to the operation of subsidiaries and other entities of Vnesheconombank;

- / sponsorship and charity; and
- / other issues within the remit of Vnesheconombank's governing bodies as set out in the Federal Law No. 82-FZ "On Bank for Development" of 17 May 2007.

In 2015, the Bank set up a Compliance Commission so that instructions of Vnesheconombank's Chairman to prepare materials to be examined by collective governing bodies are carried out in a more efficient way. Additionally, the Bank also took steps to upgrade the system for following up instructions of its collective governing bodies, and organised a training workshop on ensuring high quality of meeting materials for the staff of the Bank and the Group's entities involving representatives of the Administration of the Russian President, Russian Ministry of Finance, Russian Ministry of Economic Development and Russian Ministry of Industry and Trade.

## Corporate governance system of Vnesheconombank



## Collective working bodies of Vnesheconombank's Supervisory Board



## System of remuneration to members of Vnesheconombank's governing bodies

Under the Federal Law No. 82-FZ "On Bank for Development" of 17 May 2007, the amount of remuneration and / or refundable expenses payable to Members of Vnesheconombank's Supervisory Board is subject to approval by the Russian Government, and that payable to Members of Vnesheconombank's Management Board is subject to approval by the Supervisory Board of Vnesheconombank.

As all members of Vnesheconombank's Supervisory Board are government officials, no remuneration, including salary, bonuses, financial aid and other rewards and benefits, were paid to them in 2015.

The amount of remuneration payable to members of Vnesheconombank's Management Board is aligned with

the unified requirements applied to all employees of the Bank under the Regulations on Remuneration and Incentives to Employees of Vnesheconombank and includes a fixed portion and a bonus portion. The amount of annual bonus payable to members of Vnesheconombank's Management Board depends on their achievement of corporate-wide key performance indicators (KPI) and their personal performance targets. Personal performance of members of Vnesheconombank's Management Board is appraised by Vnesheconombank's Chairman personally, subject to their personal responsibility for performance in areas in their charge. Annual remuneration payable to the Chairman of Vnesheconombank is fully contingent on the extent to which corporate-wide KPIs are delivered.

## Information on the size of remuneration to members of Vnesheconombank's Management Board (RUB '000)



## Vnesheconombank's audit system

Control functions performed by Vnesheconombank's Internal Control Service (ICS) on a permanent basis are a pre-requisite for robust operation of the corporate governance framework. Vnesheconombank's Supervisory Board directly determines the procedure of the ICS's operation to ensure independence of, and efficient delivery by, the ICS of its internal audit functions. The ICS is a standalone business unit of the Bank reporting to Vnesheconombank's Supervisory Board and to Vnesheconombank's Chairman in terms of day-to-day activities.

ICS monitors compliance with the Russian legislation, internal regulations and the effectiveness of Vnesheconombank's internal control procedures, as well as financial and management reporting. Furthermore, the Bank's annual financial statements are subject to mandatory external independent audit selected through a bidding procedure and approved by Vnesheconombank's Supervisory Board. AO BDO Unikon was selected through bidding procedures to audit the Bank's financial statements for 2015.

## Corporate governance system of Vnesheconombank Group

Vnesheconombank seeks to achieve its strategic goals by engaging, and taking maximum advantage of, capabilities of the Vnesheconombank Group's subsidiaries. The corporate governance system across the Group is driven by the principles of independent decision-making by subsidiaries supported by centralised control from Vnesheconombank whose representatives sit on the governing bodies of the subsidiaries.

For maximum synergy, development strategies of subsidiaries are aligned from the outset and updated in line with the parent company's strategic goals. Vnesheconombank coordinates the implementation of programmes to enhance performance of the Group's entities, and follows up delivery on its targets on a regular basis. To take maximum advantage of the capabilities of its subsidiaries, the Vnesheconombank Group puts in place a comprehensive approach to the organisation of sales of products and services and develops its system of information exchange.

## Building end-to-end business processes at the Vnesheconombank Group

### BANKING SERVICES

#### Banking products and services

In 2015, Sviaz-Bank and Globexbank sold their products and services to a number of customers of the Vnesheconombank Group, including Rostec Corporation, OOO Polynom, SOLLERS, AO Engelsskiy Lokomotivniy zavod, RUSNANO, International Airport Kurumoch, and AO Zvezda-Energetika

#### Interbank loan services

In 2015, Vnesheconombank Group's entities continued to actively coordinate and centralise their interbank lending and borrowing transactions in capital markets. Examples of such cooperation also include loans provided by Globexbank to a Russian and Byelorussian group of companies for a total of USD 65 mn against BelVEB's guarantees

#### Brokerage services

Since its inception, Sviaz-Bank has bought and sold large block of bonds for a total exceeding RUB 12.5 bn, including bonds issued by Vnesheconombank and VEB-Leasing. Since November 2013, the bank also provides brokerage services to EXIAR

#### Depository services

As of late 2015, EXIAR's portfolio in Sviaz-Bank's depository stood at RUB 12.8 bn

#### Lending and cash management services

In 2015, Sviaz-Bank extended 122 loans to employees of the Group's entities for a total exceeding RUB 100 mn

### SUPPORT TO SMEs

#### Preferential lending terms for SMEs

In 2015, SME Bank issued loans on preferential terms to Globexbank's SME customers under FIM Tselevoy and MSP-Manevr programmes

#### Joint SME support projects

Ability for SME Bank and the Single-Industry Town Development Fund to provide joint support to SMEs that carry out investment projects for more than RUB 250 mn

#### Support to exporting SME

Ability for SME Bank, EXIAR and Eximbank of Russia to provide joint support to export-oriented SMEs

### SUPPORT TO EXPORTS

#### One-stop-shop system

In 2015, REC, EXIAR and Eximbank of Russia started building a comprehensive system of financial and non-financial support to Russian exports on a one-stop-shop basis

#### Cooperation agreements

In 2015, SME Bank and EXIAR signed a cooperation agreement providing for joint efforts to foster exports in the SME sector

#### Customs Card ROUND

In 2015, Sviaz-Bank designed a special banking product that can be used by customers of other entities of the Group that are engaged in export operations

#### Russian trading and finance platform in Guangdong

In 2015, VEB Asia, jointly with Vnesheconombank and REC, prepared the implementation of pilot projects to support Russian exports to China and other Asian-Pacific countries

## 6.2 Risk Management at Vnesheconombank Group

Vnesheconombank Group's risk management system is driven by the principle of process consistency and continuity and focuses on timely risk identification and prevention or mitigation as part of strategic and day-to-day decision making. The system is implemented at all governance levels of Vnesheconombank and the Group's entities from the supreme governance body – Vnesheconombank's Supervisory Board – to specialised entities of the Bank and its risk control and management subsidiaries.

In 2015, due to aggravating geopolitical and macroeconomic risks, Vnesheconombank approved

### **the Provisional Plan of Anti-Crisis Liquidity Management.**

Lessons learned from its implementation were used to improve the Regulations on Anti-Crisis Liquidity Management of the Bank.

In 2015, Vnesheconombank took further steps to improve the risk management system and subsequent development of the organisational, regulatory and methodological framework to ensure its efficient operation. These efforts were carried out both under the plan of action on implementing the Risk Management Policy of Vnesheconombank Group, and through additional measures aimed to maintain the Group's financial stability in the context of worsening geopolitical and macroeconomic risks.

In 2015, to build an efficient risk management system, Vnesheconombank placed particular emphasis on reinforcing measures to timely identify, assess, monitor and follow up risks, prepare reports describing the impact of adverse external factors on the financial position of the Group for governing bodies of the Bank and its subsidiaries.

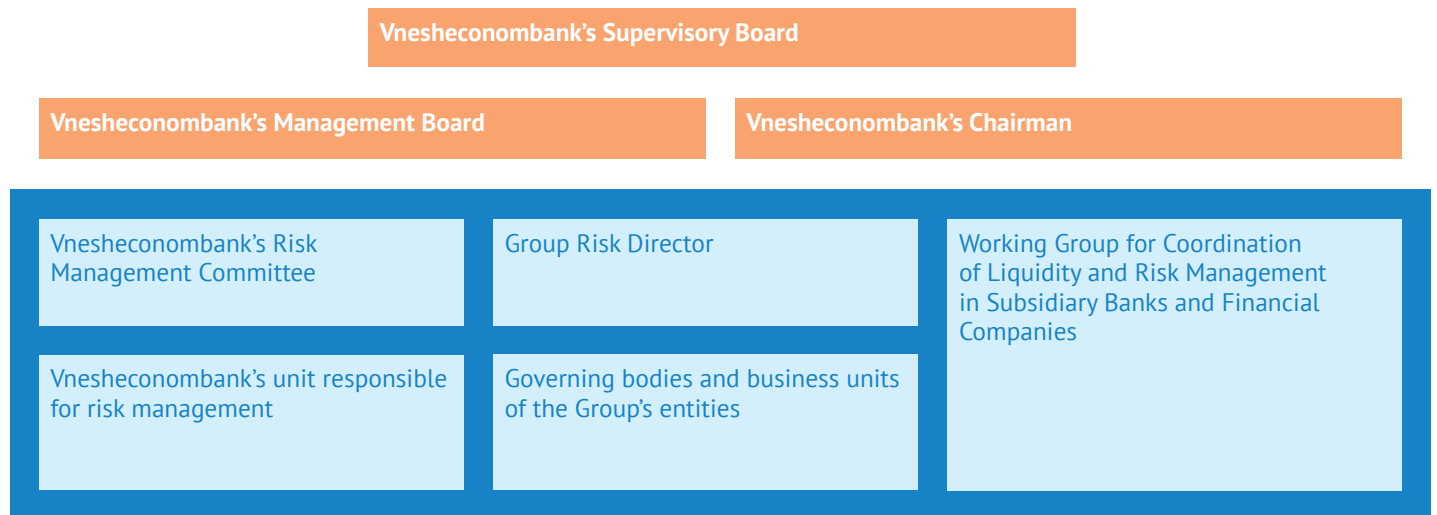
An important outcome of these efforts was that the Bank has built a consolidated measurement system for accepted risks to identify Vnesheconombank's economic capital required to cover potential losses, with the relevant calculation methodology implemented in 2015.

At the same time, the Bank continued developing a system of key indicators for material risks and implementing the process for determining, and following up compliance with, the risk appetite level, and started designing standards for managing various types of Vnesheconombank Group's risks.

In 2015, to ensure the consistency and continuity of risk management processes at Vnesheconombank Group, most subsidiaries of the Bank approved risk management policies and actions plans to implement them. Vnesheconombank also analysed, and prepared recommendations to improve, the regulatory framework in subsidiaries in line with the provisions of the Risk Management Policy of Vnesheconombank Group.

In 2015, Vnesheconombank paid particular attention to reinforcing control over risks of major transactions made by the Group's subsidiaries. The Bank was directly involved in their alignment in terms of risk level assessment that was used to draft voting instructions for Vnesheconombank's representatives sitting on governing bodies of the Group's subsidiaries.

## Risk management system of Vnesheconombank Group



## Minimum list of risks to be managed

FINANCIAL RISKS	NON-FINANCIAL RISKS
<p><b>Credit risk</b></p> <ul style="list-style-type: none"> <li>/ Counterparty risk</li> <li>/ Project finance risk</li> <li>/ Country, regional, etc. risk</li> </ul> <p><b>Market risk</b></p> <ul style="list-style-type: none"> <li>/ Interest rate risk</li> <li>/ Currency risk</li> <li>/ Stock market risk</li> </ul> <p><b>Liquidity risk</b></p>	<p><b>Operational risk</b></p> <p><b>Legal risk</b></p> <p><b>Compliance risk</b></p> <p><b>Reputational risk</b></p> <p><b>Strategic risk</b></p>



## Risks that had the largest impact on Vnesheconombank Group's operations in 2015

### Liquidity risk

In 2015, the liquidity risk was subject to considerable pressure by inability to refinance Vnesheconombank's external debt due to sanctions imposed on the Bank by the US, EU, Canada, Switzerland, Japan and a number of other countries, as well as the considerable amount of distressed assets in the Bank's portfolio of special projects.

The liquidity issue was normalised by putting in place a provisional anti-crisis liquidity management plan for 2015 that included 19 standard, non-standard and special measures. The results of the provisional plan are taken into account in the updated version of the draft Regulations on Anti-Crisis Liquidity Management of the Bank.

### Credit risk

The need to create provisions to secure assets had a serious impact on

Vnesheconombank's financial results for 2015. In managing its credit risk, the Bank applied conservative approaches and was guided by international standards, including guidelines of the Basel Committee on Banking Supervision.

Under the risk assessment methodology applied at Vnesheconombank to various categories of borrowers, all potential and existing borrowers were assessed against a common rating scale, which allowed the Bank to assess the limits and apply risk-based pricing of its lending products based on the target rate of return on economic capital.

In 2015, Vnesheconombank also prepared proposals to enhance the efficiency of assessment of external factors affecting the implementation of investment projects, including by using the Bank's macroeconomic projections.

## 6.3 Responsible Business Practices

Compliance with the principles of professional business ethics that reinforce mutual trust within the business community is an integral part of Vnesheconombank's operations. In its activities, the Bank places particular emphasis on prevention of corruption and other offences, on procurement transparency, on counteracting penetration by criminal capitals into the Russian economy and preventing potential terrorist attacks.

In 2015, the Commission for Compliance by Vnesheconombank's Staff with Conduct Rules and Settlement of Conflicts of Interest held

**4** meetings.

On examination of 25 issues, the Commission decided to impose disciplinary liability on three employees of the Bank.

### Anti-corruption procedures

In 2015, Vnesheconombank and the Group's entities continued to improve the internal policies and procedures aimed to prevent corruption and other offences. Vnesheconombank analysed the functionality of its business units and potential corruption risks and adjusted the list of positions at which the Bank's employees must provide information on income, expenses, property and property-related obligations. BelVEB ran a selective analysis of its business units for corruption risks, while RDIF ran a full review of operations of all business units.

In 2015, in line with the requirements of Russian laws, Vnesheconombank continued implementing a range of measures to prevent corruption and other offences that included collection and analysis of information on income, expenses, property, and property-related obligations. The Bank also ran 71 checks of the data for reliability and completeness and for compliance with the requirements to business conduct, including two checks of non-compliance by employees with restrictions and prohibitions.

As before, the official website of Vnesheconombank has in place a whistleblowing feedback channel for individuals and

corporate entities. Information stands and posters are placed in the Bank's territory to build negative attitude towards corruption among the staff and raise their awareness in this area. The Bank continually works on raising awareness of its employees on changes in Russian anti-corruption laws.

In 2015, trainings on anti-corruption policies and procedures were attended by 2.5 thousand employees of the Group\*. Vnesheconombank held a training workshop on Preventing and Settling a Conflict of Interests for Employees of Vnesheconombank for heads of its business units. Vnesheconombank's employees directly engaged in corruption prevention took part in the training under the programme on Legal and Organisational Aspects of Implementing Anti-Corruption Measures in State Corporations (Companies) at the Russian Presidential Academy of National Economy and Administration and a training course on Higher Efficiency of Anti-Corruption Measures in the Operation of Federal Funds, State-Owned Companies and Corporations in the Institute of Legislation and Comparative Law of the Russian Government.

\* Appendix 6 shows data on the number and share of Vnesheconombank Group's employees who were trained on anti-corruption policies and procedures broken down by employee category.

In 2015,

**621** employees

of Vnesheconombank and

**6,540** employees

of the Group's entities took part in AML / CFT trainings.

## Anti-money laundering and combating the financing of terrorism

Vnesheconombank's anti-money laundering and combating the financing of terrorism (AML / CFT) system seeks to protect the Russian economy against penetration of criminal capitals and to prevent potential terrorist attacks. The system is driven by strict compliance with Russian laws and captures recommendations of the Bank of Russia, the Federal Financial Monitoring Service, international financial organisations and hands-on experience of major Western and Russian financial institutions.

The system is based on internal control rules for AML / CFT purposes that are binding on all employees of Vnesheconombank. The rules govern the Bank's AML / CFT activities and contain a description of the measures to be taken and procedures to be applied for AML / CFT purposes, including aimed to make the Bank's employees show due vigilance with respect to any unusual transactions and deals and pay particular attention to factors that affect the customer's risk assessment and to transactions of high risk customers.

In 2015, as part of implementation of internal control rules for AML / CFT purposes, Vnesheconombank:

- / took steps to identify customers, customer representatives, beneficiaries and beneficiary owners, and to update information received previously;
- / ensured thorough study of customers, analysis of their transactions, and timely response to requests received from relevant authorities;
- / ran checks of the Bank's customers and counterparties for reliability and integrity, including to identify those entities and individuals among the Bank's customers, customer representatives, beneficiaries and beneficiary owners who are known to be involved in extremist activities or terrorism, or whose cash balances or other property are to be frozen under relevant decisions;
- / ensured identification of transactions that are subject to mandatory control, and transactions that are suspected to be performed for AML / CFT purposes; and
- / met the requirements to train personnel under AML / CFT programmes.

### Procurement

In 2015, Vnesheconombank's share of purchases from SME in the total procurement was

**28.96%**

including 27.47% of purchases that were to be supplied only by SME under the terms of procurement procedures.

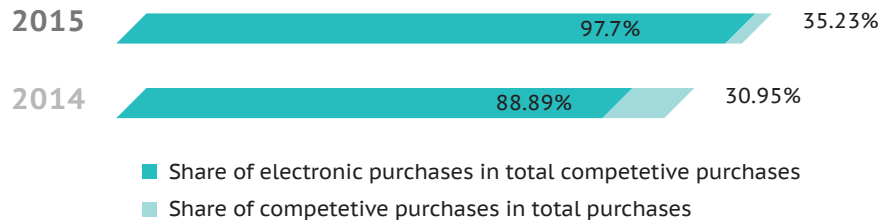
The procurement policy of Vnesheconombank and the Group's entities is driven by principles of information transparency, absence of unjustified restrictions to procurement participants and efficient spending. Internal regulations governing procurement by the Group's entities are developed in strict compliance with the requirements of Federal Law No. 223-FZ "On Procurement of Goods and Services by Certain Types of Legal Entities" of 18 July 2011\*.

In organising their procurement activities, Vnesheconombank and the Group's entities put in place a range of measures aimed at encouraging SME to engage in the procurement procedures. They include: allocating a share of purchases

to be made only from SME; excluding requirements to provide bid collateral for such purchases; requiring the contractor to engage co-contractors out of SME; and scoring extra points when assessing bids from SME. Vnesheconombank and most entities of the Group have in place an approved list of products that are to be purchased exclusively from SME.

Vnesheconombank was assigned the Guaranteed Transparency category in the National Procurement Transparency Rating among those customers who place their orders under Federal Law No. 223-FZ. Key criteria against which rating participants are assessed include: level of information transparency and procurement regulation, and use of competitive procedures.

### The share of competitive procedures in the total procurement operations run by Vnesheconombank in 2014–2015



\* Except for BelVEB, Prominvestbank and VEB Asia that are governed by national laws of those countries where they operate, and VEB-Innovations Fund that is not covered by Federal Law No. 223-FZ.

## Responsible practices in customer and partner relations

Most entities of Vnesheconombank Group assess customer and partner satisfaction to improve the quality of their services. Universal commercial banks of the Group pay particular attention to this issue, with BelVEB taking the most active stance.

In 2015, BelVEB assessed satisfaction of corporate and retail customers, ran a survey of users of the Client-Bank and Internet-Bank remote banking systems, and took part in the national interbank survey of financial service users. The bank's assessment principles and criteria and the rules for providing retail and advisory services are set out in its internal regulatory documents.

In 2015, about 16 thousand applications\* from customers and partners were registered across Vnesheconombank Group, which is more than twice as low as in 2013. Applications were mainly related to technical support to remote banking channels, complaints on e-banking product breakdowns, and on insufficiently high quality of service experience from employees of bank offices.

A number of applications from Sviaz-Bank's customers were related to failures in funds transfers through the BLIZKO payment system. To ensure appropriate quality of this service, Sviaz-Bank audited 1,925 offices of the system's principal participant, Post of Russia. As a result, more than three thousand employees of post offices underwent special training financed by the bank.

## Assessment of customer and partner satisfaction by Vnesheconombank Group's entities in 2015

<b>SVIAZ-BANK, GLOBEXBANK, BELVEB, PROMINVESTBANK</b>
/ Banks ran a survey using the mysterious buyer method and amended relevant procedures, business processes and existing banking rates as a result
<b>SME BANK</b>
/ SME Bank held a number of events involving partners to discuss improvements to banking products, ran crush tests and reviewed SME projects
<b>EXIAR</b>
/ EXIAR developed the Rules of Customer Satisfaction (Loyalty) Assessment
/ EXIAR studied customer satisfaction and, based on the results of the study, drafted a list of measures to maintain and further increase the high level of customer satisfaction, with the list included in the plan of the Agency's Strategic Initiatives for 2016–2017
<b>VEB ENGINEERING</b>
/ VEB Engineering ran a specialised audit of the service quality management system and obtained a certificate of conformity to GOST ISO 9001-2011
<b>FCPF</b>
/ FCPF studied the quality of its services

\* Information on the number of applications, including complaints filed by customers or partners of Vnesheconombank Group in 2015 that were handled and addressed through official facilities is given in Appendix 12.

## Socially important products and services of subsidiary banks

In their relations with retail customers, universal commercial banks of the Group have in place a range of measures to increase affordability of their services for various groups of customers, including for disabled people. The banks also put in place initiatives to reduce loan exposure for customers and offer socially important banking products, primarily under the Military Mortgage Programme, with Sviaz-Bank most actively engaged in it.

In 2015, the Group's commercial banks offered 144 borrowers an opportunity to restructure their loan debt by reducing the interest rate, postponing the principal maturity date, changing the interest payment procedure, translating the loan into national currencies, waiving penalties applicable to customers for default on loan agreements, and writing down or off outstanding loans owed by retail customers facing financial problems.

750 debtors of Sviaz-Bank were able to repay their outstanding principal and pay interest as part of annual promotions "No Debt in the New Year" and "Let's Win the Debt Together". Sviaz-Bank also joined AHML's programme of support to mortgage borrowers implemented under the government programme for help to certain categories of mortgage borrowers facing financial problems.

To make their services more affordable, including for disabled people, the Group's commercial banks are actively developing their remote banking channels, including call centres and online banking. On top of that, BelVEB offers its customers mobile banking, payment terminal and online consultancy services. Universal commercial banks also build wheelchair ramps at those offices that they own and install specialised ATMs that can be used by disabled customers. Additionally, BelVEB's offices offer their customers advice and information materials on available financial services in English.

## Socially important loan products of subsidiary banks

### LOANS UNDER THE MILITARY MORTGAGE PROGRAMME

/ In 2015, Sviaz-Bank and Globexbank issued

**3.5** thousand loans under the Military Mortgage programme for a total exceeding

**6.94** RUB bn

/ The share of loans under the Military Mortgage programme in Sviaz-Bank's retail loan portfolio reached

**56.46 %**

### SUBSIDISED RATE LOANS

/ In 2015, Globexbank issued

**1,856** subsidised rate loans partially repayable by the government for a total of

**4.2** RUB bn

### EDUCATION LOANS

/ In 2015, Prominvestbank issued

**13** education loans on preferential terms for an amount equivalent to

**308** RUB thousand



# 7

## Stakeholder Engagement





## 7.1 Stakeholder Engagement System

As the national financial development institution, we engage with a wide range of stakeholders both within and outside the country. A positive dialogue with Russian and foreign partners, government authorities, and the business and expert communities contributes to a favourable environment for the Bank to achieve its strategic goals and objectives.

November 2015 saw the public hearing of the concept of Vnesheconombank Group's Non-financial Report for 2015 involving over

**50** representatives

of the Bank's stakeholders.

Vnesheconombank operates based on the principles of openness and readiness to interact with a wide range of stakeholders. Key channels used by the Bank to report on its performance include its corporate website, annual financial statements and non-financial reports, press releases and other forms of interaction with media. To handle applications from representatives of stakeholders, Vnesheconombank has also in place a permanent call centre.

In its relations with stakeholders, Vnesheconombank seeks to build a direct and open dialogue aimed to increase the Bank's efficiency in performing its functions of the government institution for development. Public hearings organised by the Bank on a regular basis for the several last years to discuss the Bank's non-financial reports are one of the principal channels for getting feedback from a wide range of stakeholders.

Vnesheconombank takes part in national and international forums on an annual basis, including St. Petersburg International Economic Forum, World Economic

Forum in Davos, Moscow International Forum "Open Innovations", and other high-profile events that involve leading Russian and foreign development institutions. Arrangements reached at these events serve as the basis of agreements aimed at achieving the Bank's strategic goals.

Vnesheconombank's efforts to foster international relations take place as part of its engagement in major unions, clubs and associations of development institutions operating across the world. Through its relations with foreign partners, the Bank raises financing for projects of national importance implemented in the Russian Federation and exchanges experience and expertise on key investment areas.

Vnesheconombank's expertise is used in preparing development strategies for Russian regions and sectors and in assessment and monitoring of investment projects. The Bank's representatives sit on committees, working groups and other deliberative and advisory agencies that support the operation of federal and regional government authorities.

## Engagement of stakeholders in the preparation of the Report

### PUBLIC HEARINGS

- / In November 2015, to improve non-financial reporting and more actively engage representatives of key stakeholder groups in its preparation, the Bank arranged public hearings to discuss the concept of Vnesheconombank Group's Non-financial Report for 2015. At the hearings, the participants were also presented the Group's Sustainability Report for 2014.

### OPEN DISCUSSION

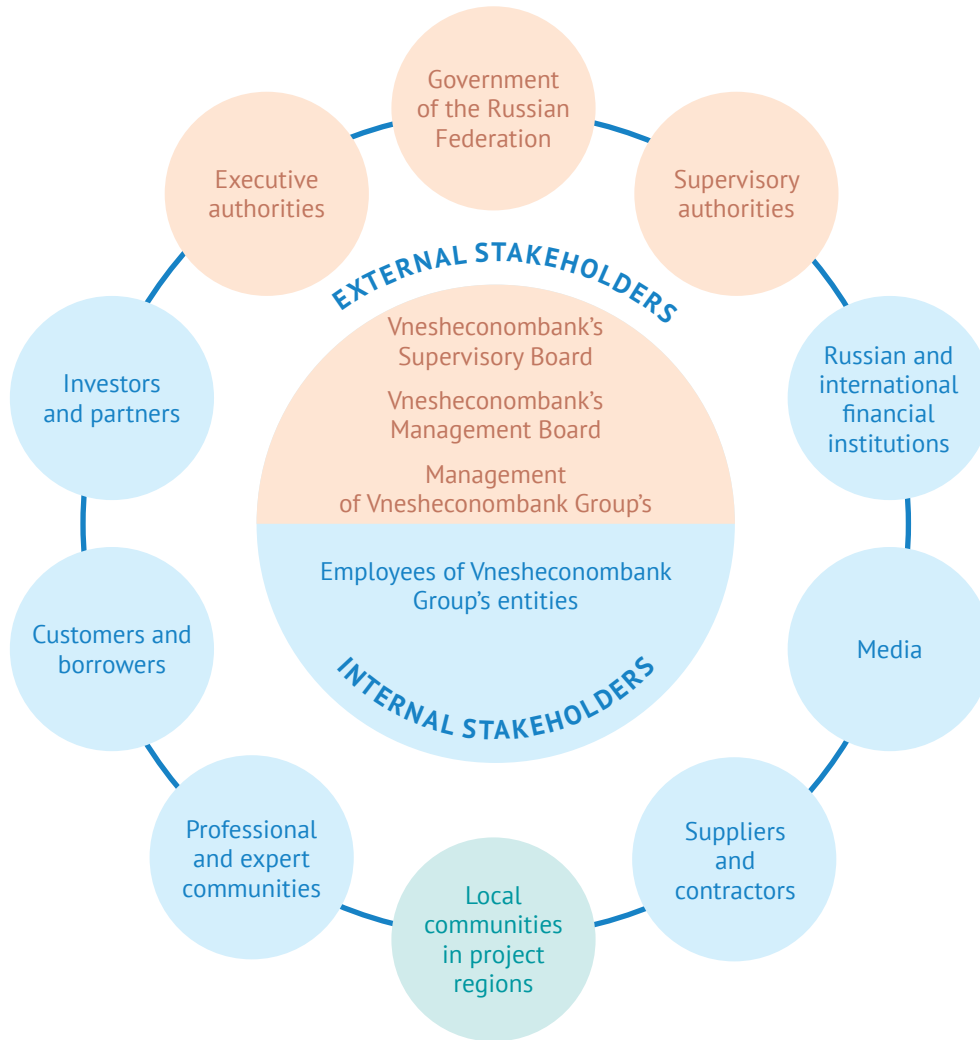
- / Over 50 representatives of government authorities, financial organisations, rating agencies, professional and environmental associations and employees of Vnesheconombank and the Group's entities took part in the hearings. The open discussion format allowed each participant to express his or her opinion on the relevance and completeness of information disclosed in Vnesheconombank Group's non-financial reports.

### PUBLIC ASSESMENT OF GRI DISCLOSURES MATERIALITY

- / On completion of the event, participants were invited to fill out questionnaires to assess GRI disclosure materiality planned to be disclosed in Vnesheconombank Group's Non-financial Report for 2015. Comments received during the hearings and results of the survey were taken into account when running the procedures for determining the scope of the report\*.

\* The table with stakeholders' suggestions on the Report is given in Appendix 13, and the description of the procedures for determining the scope of the report and a map of identified material issues and aspects of GRI is provided in the About the Report section.

## Engagement of key groups of stakeholders



MECHANISMS OF STAKEHOLDER ENGAGEMENT	
External stakeholders	<ul style="list-style-type: none"> <li>/ Disclosure and reporting</li> <li>/ Participation in the work of working groups, expert boards and other deliberative and advisory bodies at the federal and regional level</li> <li>/ Implementation of joint projects with regional authorities</li> </ul>
	<ul style="list-style-type: none"> <li>/ Participation in Russian and international forums, conferences, exhibitions and other events</li> <li>/ Organisation of master classes, workshops and other training events</li> <li>/ Preparation of press releases and interviews on pivotal issues and key events related to Vnesheconombank Group's operations</li> <li>/ Call centre</li> </ul>
	<ul style="list-style-type: none"> <li>/ Meetings with representatives of regional authorities and business to prepare integrated territorial development plans</li> </ul>
Internal stakeholders	<ul style="list-style-type: none"> <li>/ Preparation of analytical materials for meetings of governing bodies of Vnesheconombank</li> <li>/ Involvement of Vnesheconombank's representatives in the work of governing bodies of the Group's subsidiaries</li> </ul>
	<ul style="list-style-type: none"> <li>/ Development of the internal communications system (corporate magazine, Intranet-portal, etc.)</li> </ul>

## 7.2 Regional Cooperation

For the purposes of building an investment-friendly environment in Russian regions, Vnesheconombank interacts with government authorities of Russian regions, regional development institutions and the business community on a regular basis. When developing and implementing its programmes and projects for support to regions, the Bank takes into account strategic initiatives of local government authorities and investment needs of the business community.

Vnesheconombank and Russian regions entered into

**59** cooperation agreements,

including agreements with the Government of the Saratov Region and the Ministry of Crimean Affairs signed in 2015.

Our regional policy relies on establishing strategic partnership relations with government authorities in Russian regions. To build long-range and efficient investment relations, the Bank has entered into cooperation agreements with 59 Russian regions with 74% population of the country. The agreements provide for joint efforts on preparation of investment projects, including PPP projects, information support, and search and design of new formats of cooperation.

In its interaction with regional executive authorities, Vnesheconombank actively uses its expertise by providing advisory and analytical support for preparation of strategic planning documents and identification of spatial development priorities. This work is carried out under Federal Law No. 172-FZ "On Strategic

Planning in the Russian Federation" of 28 June 2014 and provides for preparing new investment projects aligned with the goals and objectives of integrated territory development in regions.

Representative offices of Vnesheconombank operating in all Federal Districts of the Russian Federation (except for the Central and Crimean Federal Districts) play an important role in promoting regional interaction. Priorities of the representative offices include searching for high-potential attractive projects to be financed by Vnesheconombank and the Group's entities; providing informational and advisory support to initiators of these projects; carrying out training and marketing activities to promote the Group's services across regions, and interacting with executive authorities of Russian regions.

## Interaction between Vnesheconombank and government authorities and business communities in Russian regions



### Domestic performance of Vnesheconombank's representative offices

In 2015, Vnesheconombank developed a relevant methodology and ran a performance appraisal of its regional representative offices.

As a result of the appraisal, the highest rating was assigned to Vnesheconombank's representative office in Yekaterinburg.

CRITERIA FOR PERFORMANCE APPRAISAL OF REPRESENTATIVE OFFICES	PERFORMANCE IN 2015
Number of investment projects prepared and submitted to Vnesheconombank for examination, involving representative offices	20 projects
Number of workshops, conferences, round tables and other events held by representative offices	42 events
Number of regional deliberative authorities that involve representative offices	Over 100 commissions and working groups
Number of projects and transactions submitted by representative offices to Vnesheconombank's subsidiaries for examination	Over 150 projects

## 7.3 International Relations

Vnesheconombank is pursuing relations with top international financial institutions to jointly finance projects implemented in Russia, and exchange investment experience and expertise. In recent years, we have been particularly focusing on stronger relations with financial institutions from Asian-Pacific countries and on setting the stage for tighter trade and economic relations between Russia and its eastern partners.

In 2015, Vnesheconombank was the Chairman Bank of the Interbank Association of the Shanghai Cooperation Organisation (SCO IBA) and the BRICS Interbank Cooperation Mechanism.

In 2015, Vnesheconombank took charge of the Interbank Association of the Shanghai Cooperation Organisation (SCO IBA) as the Chairman Bank and the BRICS Interbank Cooperation Mechanism (BRICS ICM). In July 2015, the Bank organised the first joint financial forum of BRICS and SCO in Ufa. The forum that discussed a wide range of economic development issues was attended by representatives of financial institutions of BRICS, SCO and G20 countries, business and academic communities and government authorities.

At the annual meeting of heads of BRICS ICM bank partners held on the eve of the BRICS Summit, the parties signed a Memorandum of Intentions of cooperation with the New Development Bank (NDB) founded by Brazil, Russia, India, China, and South Africa to finance long-term infrastructure and sustainability projects implemented in BRICS and other emerging economies. Going forward, the NDB will set the stage for entering a fundamentally new level of interaction within the BRICS format.

At the meeting, banks participating in BRICS ICM announced the creation of three working groups: for national currency lending; for innovations and high technologies; for talent training and experience exchange. The first meetings of these working groups were organised by Vnesheconombank at the end of 2015. Their efforts are expected to facilitate joint implementation of projects by national development institutions within BRICS.

In July 2015, at the meeting of SCO IBA's Council, heads of member banks of the Organisation adopted a Joint Declaration prepared by Vnesheconombank for the 10th anniversary of SCO IBA. The document sums up cooperation between member banks of SCO IBA for the past period and determines areas and priorities of further interaction. The meeting's participants also decided to assign the status of a partner bank of SCO IBA to Habib Bank Limited (Pakistan).

## Vnesheconombank's relations with international financial institutions in 2015

### ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC (ADFIAP)

- / Vnesheconombank took part in the 38th annual meeting of ADFIAP held in May 2015 in Nha Trang (Vietnam) and dedicated to the role of development institutions in financing infrastructure projects. At the meeting, Vnesheconombank and the Development Bank of Vietnam signed a Memorandum of Understanding
- / Vnesheconombank took part in the forum of heads of development institutions being members of the ADFIAP held in November 2015 in Manila (Philippines)

### MEETING OF DEVELOPMENT INSTITUTIONS OF G20 COUNTRIES

- / Vnesheconombank took part in the international conference "Infrastructure as a Long-Term Instrument of Sustainable and Comprehensive Growth" held in Istanbul (Turkey) in May 2015. The conference included a meeting of development institutions of G20 countries, an informal club created at the initiative of Vnesheconombank to discuss important economic issues related to the activities of G20 development institutions

### INTERNATIONAL FINANCE CORPORATION (IFC)

- / Vnesheconombank continued relations with IFC under an agreement for advisory services to be provided to the Bank on implementation of mechanisms for assessment of energy efficiency of investment projects

### INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

- / Vnesheconombank continued relations with the IBRD on origination of loans to finance investment projects in infrastructure and energy efficiency

### NORTH-EAST ASIA EXPORT-IMPORT BANKS ASSOCIATION

- / Vnesheconombank was involved in development of an operational mechanism for cooperation between the Association's banks as part of the Extended Tumangan Initiative. Pilot projects considered for joint financing by the Association included a Russian project examined by Vnesheconombank



### COUNCIL OF DEVELOPMENT BANKS OF THE EURASIAN ECONOMIC UNION (EAEU)

- / Vnesheconombank took part in a number of events where the Bank jointly with the Eurasian Development Bank, Inter-Governmental Bank and Eurasian Economic Commission discussed the outlooks for interaction as part of creating the economic belt of the Silk Road

### INTERNATIONAL FINANCIAL DEVELOPMENT CLUB (IDFC)

- / Vnesheconombank took part in all benchmark events of the IDFC, including its annual meeting held as part of the autumn session of the International Monetary Fund and the World Bank

### LONG-TERM INVESTORS CLUB (LTIC)

- / Vnesheconombank took part in the annual meeting of the LTIC and a conference organised by the LTIC to discuss long-term financing issues in a new economic reality

### RUSSIA-BAHRAIN BUSINESS COUNCIL

- / Vnesheconombank took part in a joint meeting of business councils of Russia and the Kingdom of Bahrain dedicated to the 25th anniversary of diplomatic relations between the two countries. At the meeting, representatives of Russian business presented their commercial proposals to Bahrain companies that are potentially interested in their joint implementation

### LATIN AMERICAN ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS (ALIDE)

- / Vnesheconombank took part in the 45th General Assembly of ALIDE that included a number of meetings with regional development financing institutions where potential cooperation areas were discussed

## 7.4 Engagement in the UN Global Compact

The status of the national development institution determines Vnesheconombank's active position in promoting sustainability principles in the business community. Key initiatives of the Bank in this area are implemented as part of its engagement in the UN Global Compact (UNGC), the only programme of the United Nations Organisation for businesses that addresses corporate social responsibility (CSR) and sustainability, which has brought together over 13,000 companies, financial and investment institutions and organisations from across 170 countries over 15 years.

As of late 2015, UN Global Compact Network Russia included

**77** members,

including such large businesses as Rosneft, Rusal, AFC Sistema, Russian Railways, Lukoil, and Sakhalin Energy, and small- and medium-sized companies, business associations, public and academic organisations.

Since 2013, Vnesheconombank has been the chairman of UN Global Compact Network Russia and has been organising the network's operation in Russia and internationally, and working on its institutional development and expansion of the range of impact. The active position of Vnesheconombank as chairman of the UN Global Compact Network Russia contributes to integration of the best business practices in CSR and sustainability into the operations of Russian business, and building a positive image of Russian business and the country in general, which eventually strengthens the investment case of the national economy.

Vnesheconombank ensures multilateral relations between Network Russia and representatives of other 88 national networks of the UNGC and the UNGC's head office in New York to discuss opportunities to engage Russian business in thematic projects of the Global Compact and implement Sustainable Development Goals until 2030.

In 2015, Vnesheconombank arranged for participation of Russian delegations in historic international events, including the 70th anniversary of the United Nations Organisation, and adoption of the final document of the UN Summit "Trans-

forming our world: the 2030 Agenda for Sustainable Development", the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change and the signing of the Paris Climate Agreement.

The active work of Russian UNGC's network as part of benchmark international events under the auspices of the United Nations bore out their willingness to directly engage intellectually, organisationally and information-wise in further implementation of the UN's major initiatives, and contributed to higher efficiency of relations with government and public institutions involved in the drafting of national, regional and corporate development strategies subject to existing international obligations on sustainability.

In 2015, UNGC management assigned the highest of possible statuses (advanced level) to Network Russia presided by Vnesheconombank. The results of the Bank's efforts to promote UNGC Network Russia were supported by the Russian Ministry of Economic Development, the Ministry of Foreign Affairs of the Russian Federation, and the Business Council of the Ministry of Foreign Affairs of the Russian Federation presided by Sergey Lavrov.

## Performance by Vnesheconombank as President of UNGC Network Russia in 2015

Anti-Corruption	Observance of human rights by the business community	Responsibility of business for climate footprint
<ul style="list-style-type: none"> <li>/ Organised a series of events on Consolidation of Efforts by the Authorities, Business and the Society in Implementing the Anti-Corruption Policy</li> <li>/ Held a special meeting of the UN Global Compact at the sixth session of the Conference of Member States of the UN Conference against Corruption in St. Petersburg</li> </ul>	<ul style="list-style-type: none"> <li>/ Put in place a series of events and discussions on human rights and labour relations</li> <li>/ Initiated discussion of whether it is reasonable to develop a national action plan to implement the UN Guiding Principles on Business and Human Rights in Russia</li> </ul>	<ul style="list-style-type: none"> <li>/ UNGC Network Russia joined the Climate Partnership of Russia</li> <li>/ Initiated the preparation of documents and projects reflecting the consolidated position of the Russian business community on transition to the low-carbon economy as a result of the Paris Climate Agreement</li> </ul>
Involvement in the work of international venues of UNGC	Promoting UNGC Network Russia in Russia	Organising the activities of governing bodies of UNGC Network Russia
<ul style="list-style-type: none"> <li>/ Organised participation in the “Global Compact+15: Business as a Force for Good” series of events (New York, USA)</li> <li>/ Organised participation in a business and climate summit (Paris, France)</li> <li>/ Organised participation in a meeting of representatives of European UNGC Networks and the “Global Compact+15: Europe” conference (Berlin, Germany)</li> </ul>	<ul style="list-style-type: none"> <li>/ Designed the official style of UNGC Network Russia</li> <li>/ Launched a bilingual website of UNGC Network Russia</li> <li>/ Published an English brochure on UNGC Network Russia’s activities</li> <li>/ Organised the Russian translation and distribution of a report of G. Kell, UNGC Executive Director in 2000–2015, “Transforming Business, Changing the World”</li> <li>/ Signed the Agreement on Information Cooperation with the Russian Union of Journalists</li> </ul>	<ul style="list-style-type: none"> <li>/ Organised three meetings of the Steering Committee of the UNGC Network Russia and the ceremony of the General Meeting of members of the UNGC Network Russia</li> <li>/ Coordinated the implementation of 50 events by members of the UNGC Network Russia in Moscow and other Russian regions</li> <li>/ Drafted founding documents of the Global Compact National Network Association, assign of the voluntary association of UNGC Network Russia</li> </ul>



# 8

## Corporate Life



## 8.1 HR Policy

Our HR policy is aimed at retaining and motivating employees whose qualifications and performance ensure successful performance by the Bank of its functions of development financing institution. As a responsible employer, the Bank offers its employees social benefits and guarantees, provides opportunities to unlock their professional and personal potential, and ensure safe and comfortable working conditions.

Over **4** thousand employees of Vnesheconombank and the Group's entities, and their family members took part in the 11th corporate sports festival "Partners of the 21st Century" held at the Yantar stadium in August 2015.

The HR policy of Vnesheconombank and the Group is strictly aligned with the requirements of the Russian Constitution, Labour Code and other legal regulations of the Russian Federation. Our HR policy is driven by the principle of equality of all employees regardless of their gender, age, religious beliefs and ethnic origin. For more efficient use of its human resources, Vnesheconombank Group seeks to build a flexible system of personnel management to ensure consistent principles and approaches to implementation of its HR policy.

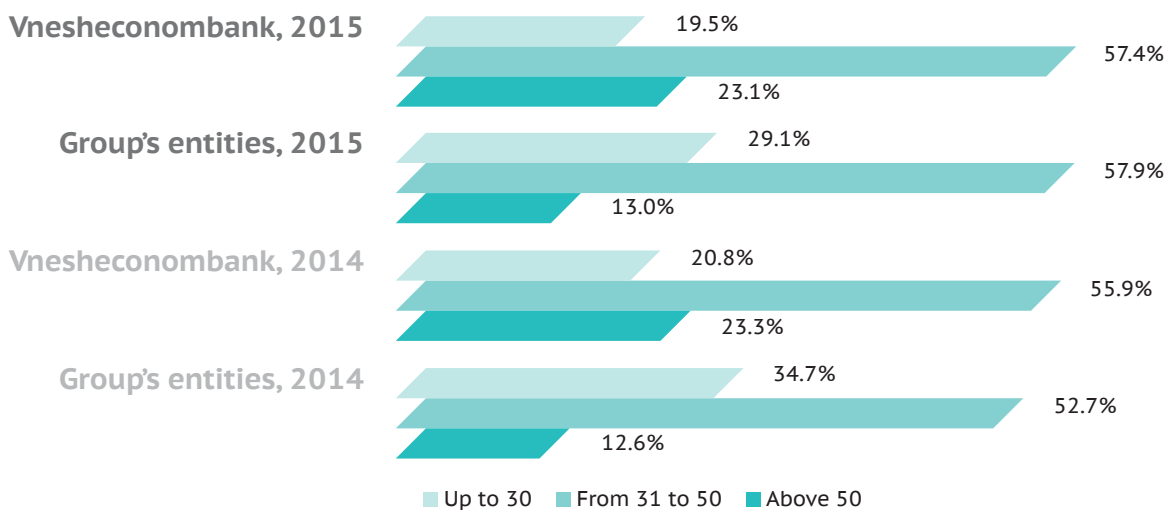
As of late 2015, the actual headcount of Vnesheconombank was 2,065, which is 30 employees less than in the previous reporting period. The headcount of the Group's entities went down 6.4% at 12,952 employees\*. In 2015, 2,508 new employees joined Vnesheconombank Group, including 24 young professionals who had previously done practical trainings in the Bank and the Group's entities, and one participant of Vnesheconombank's Youth Club.

\* A breakdown of Vnesheconombank Group's personnel by type of employment, type of contract, category of employees and gender is given in Appendix 3, and personnel turnover data, in Appendix 4.

### Breakdown of personnel of Vnesheconombank and the Group's entities by gender



### Breakdown of personnel of Vnesheconombank and the Group's entities by age



## Career enhancement for employees

In 2015, Vnesheconombank's costs for organisation of corporate training exceeded

**20** RUB  
mn.

Corporate training programmes existing at Vnesheconombank and the Group's entities seek to increase the professional level of employees and provide new knowledge and skills to employees that are required to handle tasks that are becoming more and more challenging. Corporate training programmes include both mandatory courses that are required by law, and additional types of training aimed at developing personal competences of employees and maintaining their competitive edge in the labour market.

In 2015, Vnesheconombank Group mainly trained its employees under AML / CFT, IFRS, accounting and other mandatory training programmes. At the same time, Vnesheconombank and some other entities of the Group reimbursed their employees' costs for higher and additional education under an MBA course and offered advanced computer literacy and foreign language courses. More than 2.1 thousand employees of Vnesheconombank Group took advantage

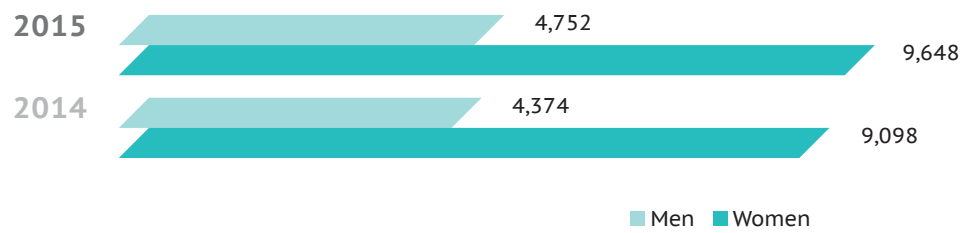
of these opportunities, which exceeds 15% of the total number of employees trained during the year.

The number of employees that take part in training programmes and the average number of training hours per employee kept growing at Vnesheconombank Group in 2015. Remote training formats, including organised via corporate training web portals became more widespread in the Group. This format considerably expands the audience of training programmes and increases their availability to various categories of employees.

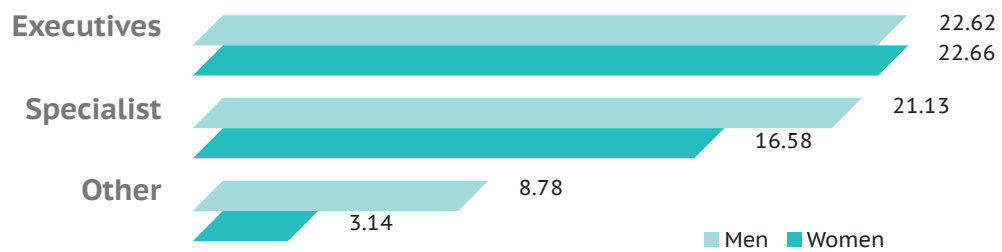
To assess the efficiency of training programmes, Vnesheconombank and most entities of the Group have in place employee training feedback systems and learning efficiency tests. The results of this assessment are used to design new and upgrade existing training programmes, but also to build personal employee development plans.



### Total number of employees of Vnesheconombank and the Group's entities that completed the training broken down by gender



### Average number of training hours per employee of Vnesheconombank Group by gender and employee category



### Remuneration and motivation system

In 2015, **5,764** employees of Vnesheconombank Group were subject to official personal performance appraisal.

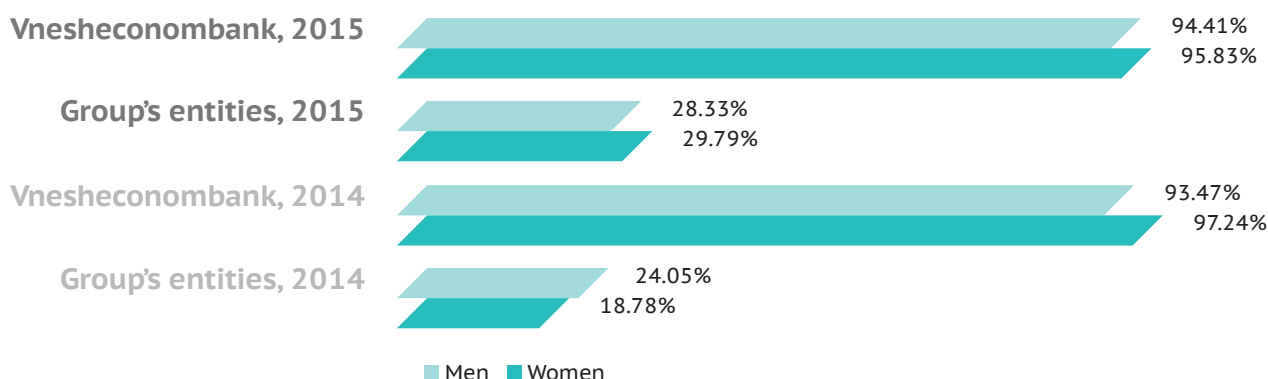
The personnel remuneration and motivation system applied at Vnesheconombank and most entities of the Group relies on a differentiated approach to bonus payments based on personal performance and performance against corporate key performance indicators (KPI). In 2015, personal performance appraisal of employees was run at Vnesheconombank, Sviaz-Bank, BelVEB, Prominvestbank, FCPF, RDIF and NCDC. The level of monthly wages across the Group on the whole was in line with average market figures of the financial sector\*.

In 2015, 1,966 employees of Vnesheconombank were subject to personal performance appraisal. For more efficient appraisal procedures, the Bank put in place WebTutor automated system featuring a personal profile function where each employee can learn his or her personal performance rating. On top of that, employees are able to request feedback on performance appraisal from the management of his or her unit.

The remuneration and motivation system applied at Vnesheconombank provides not only financial, but also intangible incentives to active and dutiful employees who have made a considerable personal contribution to boost the Bank's performance. The Bank gives credit to employees who have achieved top results in performing complex and important tasks as part of the annual ceremony of awarding Vnesheconombank's corporate badges.

In 2015, Vnesheconombank Group's entities consistently worked on building a regulatory framework for a more efficient employee remuneration and motivation system. The most prominent results in this area were achieved by EXIAR that approved new rules providing for quarterly employee monitoring procedures and performance appraisals. SME Bank and Globexbank made considerable changes in their bonus systems by linking employee remuneration size to the level of risks taken by the employee. Sviaz-Bank and BelVeb put in place new remuneration conditions for employees engaged in retail banking product sales.

### Share of employees of Vnesheconombank and the Group's entities that completed performance appraisal broken down by gender



\* The ratio of salaries payable to entry-level employees of Vnesheconombank Group's entities to the existing minimum wage is given in Appendix 9, information on the share of employees who underwent performance appraisal in 2015 broken down by employee category is given in Appendix 8.

## Awards received by Vnesheconombank Group's employees in 2015

### Awards for good-faith and impeccable work and high personal contribution in Vnesheconombank's growth

Letter of gratitude from Vnesheconombank's Chairman: **136 employees**

Vnesheconombank's Board of Honour: **72 employees**

Best Employee of the Year: **54 employees**

Vnesheconombank's lapel badge "For Excellence": **46 employees**

Vnesheconombank's Book of Honour: **7 employees**

### Government awards for great contribution to the development of the Russian financial and banking system

Letter of gratitude from the President of the Russian Federation: **4 employees of Vnesheconombank, 1 employee of SME Bank and 1 employee of Globexbank**

Government awards of the Russian Federation: **17 employees of Vnesheconombank and 1 employee of VEB-Leasing**

## Occupational and health safety

In 2015, Vnesheconombank Group assessed the working conditions at

**2,012** workplaces.

**8,673** employees

of the Group underwent OHS training of various types.

The efforts of Vnesheconombank Group's entities aimed at preventing occupational injuries and diseases are driven by strict compliance with legislative requirements and are governed by corporate regulatory documents providing for systemic OHS measures.

Vnesheconombank Group's entities run introduction and scheduled briefings and other health and fire safety trainings on a regular basis with subsequent knowledge tests, as well as emergency

trainings. Additionally, in 2015, Vnesheconombank, Globexbank and BelVEB ran a specialised training for drivers of corporate vehicles.

In 2015, Vnesheconombank Group registered four cases of occupational injuries: one case in SME Bank, one in Sviaz-Bank, and two in BelVEB\*. An internal corporate investigation was run for each case, with necessary measures taken to prevent such cases in future.

\* A breakdown of occupational injury rates at Vnesheconombank Group by gender is given in Appendix 7.

## Social programmes

In 2015, Sviaz-Bank organised a recreational programme for its employees in Crimea, with the implementation costs coming at

**3,414** RUB  
mn.

**120** employees

of the bank, who were given a 7-day paid leave, took part in the programme.

Vnesheconombank and most of the Group's entities offer their employees an enhanced social security package, with its programmes seeking to ensure high social protection of employees, provide employees with extra benefits and guarantees, and proper recreation. Implementation of social programmes enhances employee motivation and promotes the healthy lifestyle at Vnesheconombank Group.

In 2015, most entities of the Group had in place Voluntary Health Insurance (VHI) programmes and life and property insurance programmes for employees. Financial support to employees in a difficult life situation was also widespread. At the same time, employees of Vnesheconombank and a number of other entities of the Group had access to leisure and sports programmes and to additional maternity-related benefits.

As in previous years, the Group's entities with the highest headcount (Vnesheconombank, SME Bank, Globexbank, Sviaz-Bank, VEB-Leasing and BelVEB) offered the largest social security package. Employees of some entities also had access to extra benefits such as additional payments to the temporary disability allowance provided to 224 employees and compensations to those employees who waived VHI (paid to 43 employees).

Non-government pension programmes implemented under an agreement with NPF Podderzhka are an important component of the social security package offered to Vnesheconombank's staff. Retirees – members of Vnesheconombank's Council of Long-Service Employees – receive particular support from the Bank: they are paid lifetime non-government pension and other benefits and are offered an enhanced social security package.

## Results of Vnesheconombank Group's social programmes in 2015

Type of social programmes	Vnesheconombank Group														Number of Vnesheconombank Group's employees who recurred to the programmes in 2015		
	Vnesheconombank	SME Bank	Globexbank	Sviaz-Bank	BelVEB	Prominvestbank	VEB-Leasing	REC	VEB Engineering	VEB Capital	FCPF	RDIF	NCDC	The Far East and Baikal Region Development Fund		VEB-Innovations Fund	VEB Asia
Voluntary health insurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	7,847 persons
Mother and child welfare	✓				✓		✓										1,343 persons*
Accident insurance, business trip insurance, property insurance, vehicle insurance programmes, etc.	✓	✓	✓	✓	✓	✓	✓			✓							1,800 insurance policies
Financial aid	✓	✓	✓	✓	✓		✓		✓	✓			✓				3,103 persons, RUB 384.3 mn
Fitness	✓	✓	✓	✓	✓							✓			✓		4,490 persons
Recreation and health resorts	✓				✓												1,194 persons

\* Data on the number of Vnesheconombank Group's employees who took a maternity or a parental leave in 2015 and a breakdown of employees returning from leave by gender is given in Appendix 5.

## Results of social programmes of Vnesheconombank implemented in 2015

### Voluntary Health Insurance (VHI) programmes

- / As of late 2015, **2,761 persons (including 2,008 employees of the Bank)** and **389 relatives of the Bank's employees** (including **354 children of the Bank's employees** up to 5 years old, and 364 retirees) were insured under VHI agreements.
- / In 2015, the annual limit of costs per employee of the Bank was **RUB 35,260**.
- / **374 relatives of the Bank's employees** resorted to the corporate VHI programme (with payment out of personal funds).

### Mother and child welfare

- / **119 employees of the Bank** resorted to such VHI programmes as "Prenatal Care" and "Obstetrics".

### Medical examinations

- / **54 employees of the Bank** underwent preliminary medical examinations when joining the Bank.
- / **1,209 employees of the Bank** underwent regular medical examinations.

### Non-government pension

- / As of late 2015, **2,170 employees** of the Bank participated in the personified pension programme, while **84 retirees** were paid **RUB 15,237.22** per month.
- / As of late 2015, **414 employees** took part in the pay-as-you-go pension programme, with an average monthly non-government pension of **RUB 11,690.59**.

### Insurance programmes

- / The Bank's employees were issued **1,086 insurance policies** for business and personal trips and **205 personal car insurance policies**.

### Financial aid

- / **RUB 9,499.8 thousand** of financial aid was paid to **19 employees** of the Bank that faced a difficult life situation.

### Fitness

- / Fitness cards providing for partial cost reimbursement were used by **96 employees** of the Bank.

### Recreation and health resorts

- / **595 employees** of the Bank and **457 relatives of the Bank's employees** took part in health resort programmes.
- / The recreational facility of OOO "Razvitiye" in Astrakhan was visited by **121 employees** of the Bank and **125 relatives of the Bank's employees**.

### Support to retired members of Vnesheconombank's Council of Long-Service Employees

- / In 2015, all retired members of Vnesheconombank's Council of Long-Service Employees were paid non-government pension.
- / The monthly pension payable to **21 retirees** awarded by Vnesheconombank's corporate badge "For Excellence" was increased by **RUB 5 thousand**.
- / Total financial aid paid to Vnesheconombank's retirees came at **RUB 18,110 thousand**.
- / **364 retirees** used VHI programmes, including nine who were insured under a personal VHI programme against non-covered diseases.
- / **51 retirees** resorted to health resort programmes, and **9 retirees** visited the recreational facility of OOO "Razvitiye" in Astrakhan.

## 8.2 Volunteer Movement

Annual volunteer initiatives that take place at Vnesheconombank and its subsidiaries always evoke a warm response from the Group's employees. The rising numbers of initiatives and their participants witness that the volunteer movement becomes increasingly popular. Joint volunteer initiatives of Vnesheconombank Group became another good tradition that is open to employees of all entities of the Group and their family members.

2015 saw the first joint environmental initiative of Vnesheconombank Group that involved more than

**350** employees

of the Bank and the Group's entities, and their family members.

In 2015, Vnesheconombank organised more than 20 volunteer activities, 12 of which involved employees of not only the Bank but also the Group's entities.

As in previous years, key focus areas of volunteer activities included aid to orphanage wards and patients of care homes, support to the Russian Orthodox Church, and blood donations.

The first joint environmental initiative of Vnesheconombank Group, "The Victory Tree", for planting trees in the Losiny Ostrov national park was the most vivid and memorable initiative of 2015. During the year, the Group's volunteers

also took part in charitable festivals "The World of the Deaf" and "Charity Bazaar" and visited remote parishes of the Russian Orthodox Church as pilgrims.

Volunteer initiatives of Vnesheconombank were coordinated by a working group for corporate volunteer movement that was set up in 2014 and includes seven employees of the Bank. The working group selected key areas for promoting volunteer movement across Vnesheconombank and took decisions to pursue specific initiatives that could have been initiated by any employee.

### Volunteer initiatives of Vnesheconombank Group in 2015

Initiative area	Organiser							Number of volunteer initiatives and their participants
	Vnesheconombank	SME Bank	Globexbank	Prominvestbank	VEB-Leasing	VEB Capital	RDIF	
Aid to orphans and children from poor families	√	√	√	√	√	√	√	13 initiatives, over 700 participants
Help to elderly patients of care homes	√							3 initiatives, over 40 participants
Blood donation	√	√		√		√		12 initiatives, 596 donors, 269 litres of blood
Restoration of Russian Orthodox architectural monuments and aid to the Russian Orthodox Church	√							2 initiatives, over 65 participants
Environmental initiatives	√							1 event, over 400 participants
Help to colleagues and their relatives in difficult life situations	√	√			√			4 initiatives, over 220 participants
Other volunteer initiatives (volunteer help at charitable festivals, organisation of educational initiatives for the young, etc.)	√	√			√			10 initiatives, over 50 participants



## Volunteer activities by Vnesheconombank Group

### The Victory Tree environmental initiative

In May 2015, Vnesheconombank launched the first joint environmental initiative of the Group for planting trees in the national park “Losiniy Ostrov” that involved over 350 employees of Vnesheconombank, Sviaz-Bank, VEB-Leasing, EXIAR, FCPF and The Far East and Baikal Region Development Fund, and their family members.

During the initiative, volunteers planted 600 saplings of lime tree and berberis, and more than thousand of pine seedlings. The event was held as part of the Victory Tree Nationwide Campaign to commemorate the 70th anniversary of the Victory in the Great Patriotic War. To commemorate the feat of war veterans and sufferings of war victims, over 60 million trees were planted in parks created at battle places across the country.

### Help a Child

In 2015, over 700 employees of Vnesheconombank Group took part in providing volunteer aid to orphans and children from poor families.

As part of these activities, volunteers organised sports and entertainment events, arts master classes for wards of the Torzhok Board School, Smolensk Orphanage “Gnyozdyshko”, a social centre in Kolomna, and for patients of Children’s Psychiatric Hospital No. 11 in the village of Mednoye-Vlasovo (Moscow Region) and the Renal Transplantation Section of the Russian Children’s Clinical Hospital. Volunteers of Vnesheconombank Group were also involved in the construction of children’s playgrounds, acquisition of medical equipment, school stationery, sports uniform and presents for wards of children’s institutions under their patronage.

### Unique History of a Multi-Child Family

In 2015, VEB-Leasing organised help to a multi-child family from Novosibirsk that found itself in a difficult financial situation as three of the children had fallen ill with infantile cerebral palsy, and the family provider had unexpectedly died.

More than 500 employees of VEB-Leasing took part in the event by organising fundraising to buy an expensive special multifunctional device acting as a seat support and supporting necessary life functions of ICP patients.

### Business games “I Am Entrepreneur”

In 2015, to promote entrepreneurship among the young, volunteers of SME Bank held five business games involving 138 high school and college students from Moscow and the Moscow Region.

At the games, the participants were able to have a go at modelling the operation of a company, negotiating with partners, allocating profits and managing resources. After the games, all participants were issued certificates confirming that they were trained in entrepreneurship fundamentals, and winners were awarded memorable prizes by SME Bank.

## 8.3 Green Office

We challenge ourselves to reduce excessive resource consumption and streamline waste disposal in our general and administrative operations. Initiatives put in place by the Bank to reduce its environmental footprint were marked by the Department for Environmental Management and Protection of Moscow at the Green Office – 2015 Award.

In 2015, through its Energy Saving and Energy Efficiency Programme, Vnesheconombank cut its consumption of electricity by

**2.02%**

and heat by

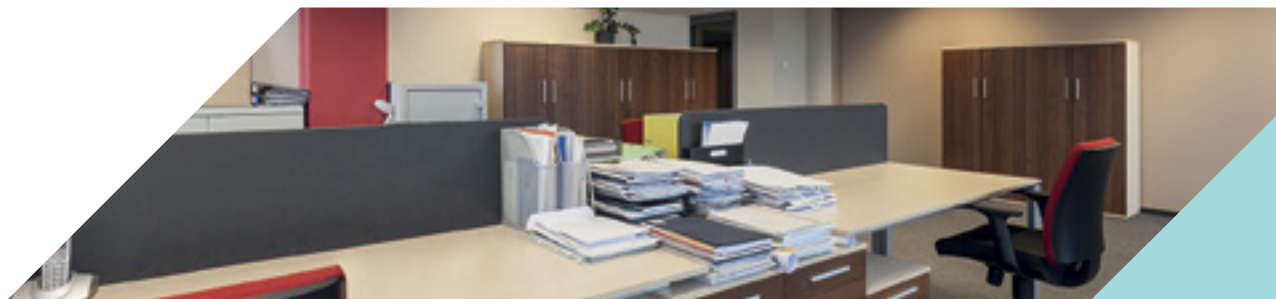
**5.25%**

In January 2015, Vnesheconombank approved its Corporate Environmental Policy that determines key approaches to implementation of green office principles in the Bank's operations. The Policy relies on the life cycle approach and seeks to reduce the adverse environmental impact by Vnesheconombank's general and administrative activities at all stages, including organisation of procurement procedures, resource consumption and waste management. The Policy also provides for informing employees on the need to save resources at work places and promoting environmental values in the Bank.

Vnesheconombank puts in practice its Environmental Policy by delivering on its annual environmental plans, with the first such plan completed in 2015. As a result, we were able to draft the list of additional environmental requirements to paper, office cleaning substances, furniture and bottled water purchased by the Bank.

In 2015, Vnesheconombank put in place its Energy Saving and Energy Efficiency Programme intended to cut heat and power consumption. Under the Programme, the Bank completed scheduled replacements of lighting equipment and streamlined the functioning of ventilation and air conditioning systems.





## **Environmental initiatives of Vnesheconombank Group's entities**

### **Lower paper consumption initiatives**

The Group's commercial banks that enter into contractual relations with retail customers account for the bulk in paper consumption. In 2015, Sviaz-Bank, which consumes c. 35% of total paper consumption by the Group made most of its customer transactions digital using electronic signature, with accounting and payment documents stored mostly in soft copy in an electronic archives, and completed the transition to electronic document flow in preparing materials for meetings of collective governing bodies. These measures were taken as part of the bank's participation in the annual World Paper Free Day.

### **Initiatives aimed at reduction of greenhouse gas emission by corporate vehicles**

In 2015, BelVEB put in place an action plan to reduce carbon footprint of its operations, including reducing mileage limits for corporate vehicles by 10% on average and reducing engine capacity of vehicles acquired by the bank.

## Environmental management of Vnesheconombank Group's general and administrative activities

Resource	Amount of resources purchased in 2015 (year-on-year)	Resource management approaches	Waste management approaches	Amount of waste created in 2015 (year-on-year)
<b>INVENTORIES</b>				
Fluorescent lamps	<b>14.8 thousand lamps</b> (+2.5 thousand lamps)	<ul style="list-style-type: none"> <li>/ Take into account environmental properties of products when organising procurement for repair and scheduled replacement of lighting equipment</li> <li>/ Increase the share of energy efficient and the environmentally safest lamps (mostly LED)</li> </ul>	Transfer Hazard Grade 1 waste to a specialised entity for neutralisation, and Hazard Grade 4–5 waste for disposal at a burial site	<b>13.6 thousand units of mercury-containing waste</b> (–6.3 thousand units)
Computer equipment and parts	<b>3.1 thousand units</b> (–1 thousand units)	<ul style="list-style-type: none"> <li>/ Take into account environmental parameters of products in procurement procedures</li> <li>/ Implement electronic document flow</li> <li>/ Transfer expired archive documents to recycling</li> </ul>	Transfer Hazard Grade 3 waste to a specialised entity or supplier for disposal, Hazard Grade 4–5 waste for disposal at a burial site, and paper waste for recycling	<b>2,991 tonnes of MSW</b> (+243 tonnes) <b>3.86 thousand equipment units</b> (+1 thousand units)
Cartridges	<b>18.1 thousand units</b> (–16.3 thousand units)	<ul style="list-style-type: none"> <li>/ Streamline the use of office resources (put equipment on saving operation mode; share copying equipment; set paper use limits; etc.)</li> <li>/ Inform employees of the need to save resources in their office work</li> </ul>		<b>9.1 thousand cartridges</b> (–1.1 thousand units)
Paper	<b>A4 – 711 tonnes, A3 – 5.36 tonnes</b> (+22.6 tonnes)			<b>188 tonnes of paper waste</b> (+110 tonnes)
<b>ENERGY</b>				
Electricity	<b>139,049 GJ</b> (–4,400 GJ)	<ul style="list-style-type: none"> <li>/ Use high energy saving class equipment</li> <li>/ Adjust heat supply and ventilation levels in office premises</li> <li>/ Run an energy survey of buildings</li> <li>/ Develop energy saving and energy efficiency measures</li> <li>/ Inform employees of the need to save resources in their office work</li> </ul>	Reduce CO <sub>2</sub> emissions by cutting down electricity and heat consumption	<b>26,921 tonnes of CO<sub>2</sub> equivalent</b> (–852 tonnes)
Heat	<b>1,450,517 GJ</b> (–1,338,176 GJ)			

Resource	Amount of resources purchased in 2015 (year-on-year)	Resource management approaches	Waste management approaches	Amount of waste created in 2015 (year-on-year)
<b>WATER</b>				
Bottled drinking water	<b>1,765 thousand litres*</b>	<ul style="list-style-type: none"> <li>/ Take into account environmental parameters of bottled water in procurement procedures</li> <li>/ Run scheduled preventive maintenance and routine maintenance of sanitary equipment and engineering water supply and disposal systems</li> <li>/ Refit sanitary equipment with devices to cut water consumption</li> </ul>	Sign utility services agreements	<b>Under the agreements, water disposal should be equal to water consumption</b>
Utility water	<b>194.8 thousand cu m</b> (+10.8 thousand cu m)			
<b>CORPORATE VEHICLES</b>				
Fuel	Petrol: <b>2.8 mn litres</b> (-0.1 mn litres) Diesel fuel: <b>0.7 mn litres</b> (+0.1 mn litres)	<ul style="list-style-type: none"> <li>/ Use high quality fuel</li> <li>/ Reduce total mileage by streamlining corporate itineraries</li> <li>/ Reduce the number of business trips by using remote communication channels</li> </ul>	Monitor toxicity of exhaust gases as part of corporate car maintenance	<b>8.6 tonnes of CO<sub>2</sub> equivalent</b> (no year-on-year change)
Repair and replacement of corporate cars	<b>71 cars</b> (+7 cars)	<ul style="list-style-type: none"> <li>/ Replace outdated corporate cars with high environmental class cars (at least Euro 4)</li> <li>/ Regularly undergo maintenance only in specialised organisations</li> <li>/ Include the cost of parts and expendables in maintenance agreements</li> <li>/ Provide for disposal of all waste in maintenance agreements</li> </ul>	Monitor quality of parts and expendables as part of corporate car maintenance	<b>129 decommissioned cars</b> (-2 cars)

\* No year-on-year changes are given as the information has been collected only since 2015.



# Appendices



## Appendix 1

### Index of GRI Disclosures in the Report Prepared in Line with GRI G4 Guidelines (“Core” Disclosure Level), the GRI Financial Services Sector Supplement and Principles of the UN Global Compact\*

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>Strategy and Analysis</b>				
<b>G4-1</b> Statement from the most senior decision-maker of the organisation		Address by Chairman of Vnesheconombank	4	√
<b>G4-2</b> Description of key impacts, risks and opportunities	<b>Principles 1–10</b>	1.1. Key Performance Indicators of Vnesheconombank Group 6.2. Risk Management at Vnesheconombank Group	12–22, 101–103	√
<b>Organisational profile</b>				
<b>G4-3</b> Name of the organisation		About the Report	7–9	√
<b>G4-4</b> Primary brands, products and/ or services		1.1. Key Performance Indicators of Vnesheconombank Group	12–22	√
<b>G4-5</b> Location of organisation's headquarters		Appendix 15	156	√
<b>G4-6</b> Number of countries where the organisation operates		1.1. Key Performance Indicators of Vnesheconombank Group 7.3. International Relations	12–22	√
<b>G4-7</b> Nature of ownership and legal form		About the Report	7–9	√
<b>G4-8</b> Markets served		1.1. Key Performance Indicators of Vnesheconombank Group 7.2. Regional Cooperation 7.3. International Relations	12–22, 115–119	√
<b>G4-9</b> Scale of the organisation		1. Business Lines of Vnesheconombank Group 2. Investing in Development 3. Developing Economic Potential 4. Improving the Investment Climate 5.1. Investment of Pension Savings 8.1. HR Policy Appendix 10	10–89, 124–131, 152	√
<b>G4-10</b> Total number of employees by employment contract, staff and non-staff workforce, gender, employment type, etc.	<b>Principle 6</b>	8.1. HR Policy Appendix 3	124–131, 149	√
<b>G4-11</b> Percentage of employees covered by collective bargaining agreements	<b>Principles 1, 3</b>	<i>As of 31 December 2015, collective bargaining agreements were signed with all employees of BelVEB and Prominvestbank. The percentage of trade union members among employees of Vnesheconombank was 46%</i>		√

\* The ten principles of the UN Global Compact are given in Appendix 2.

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>G4-12</b> Supply chain	<b>Principle 10</b>	1.1. Key Performance Indicators of Vnesheconombank Group 6.3. Responsible Business Practices	12–22, 104–109	√
<b>G4-13</b> Significant changes during the reporting period regarding size, structure, ownership or supply chain		<i>No significant changes regarding size, structure or ownership were recorded at Vnesheconombank Group in 2015</i>		√
<b>G4-14</b> Precautionary principle	<b>Principle 7</b>	2.1. Investment Management 6.2. Risk Management at Vnesheconombank Group 8.3. Green Office <i>The risk management approach is described in detail in the annual report for 2015 and the issuer's statements <a href="http://www.veb.ru/ifi/rep/annual/">http://www.veb.ru/ifi/rep/annual/</a></i>	30–36, 101–103, 134–137	√
<b>G4-15</b> Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses		About the Report 1.2. Corporate Social Responsibility Framework 2.1. Investment Management 7.3. International Relations 7.4. Engagement in the UN Global Compact	7–9, 23–36, 117–121	√
<b>G4-16</b> Memberships of associations and/or national or international advocacy organisations		1.2. Corporate Social Responsibility Framework 7.3. International Relations 7.4. Engagement in the UN Global Compact		√
<b>Identified Material Aspects and Boundaries</b>				
<b>G4-17</b> All entities included in the organisation's consolidated financial statements		<i>Consolidated financial statements <a href="http://www.veb.ru/ifi/rep/msfo/">http://www.veb.ru/ifi/rep/msfo/</a> (p. 19)</i>		√
<b>G4-18</b> Process for defining the report content and the Aspect Boundaries		About the Report 7.1. Stakeholder Engagement System	7–9, 112–114	√
<b>G4-19</b> List of all the material Aspects identified in the process for defining report content		About the Report	7–9	√
<b>G4-20</b> Description of the Aspect Boundary within the organisation for each material Aspect		<i>The aspects disclosed are material for Vnesheconombank Group unless otherwise specified. Such aspects as Energy, Water, Emissions, Discharges and Waste are calculated for large office premises that are owned or are leased by the Group's entities. Small leased premises are not included in the calculation if the cost of resources, waste disposal, etc. is not calculated separately when assessing the lease fee</i>		√
<b>G4-21</b> Description of the Aspect Boundary outside the organisation for each material Aspect		<i>The aspects disclosed are immaterial outside Vnesheconombank Group unless otherwise specified</i>		√
<b>G4-22</b> Effect of any restatements of information provided in previous reports and the reasons for such restatements		<i>There are no restatements of information provided in Vnesheconombank Group's Sustainability Report 2014</i>		√

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>G4-23</b> Significant changes from previous reporting periods in the Scope and Aspect Boundaries		About the Report	7–9	√
<b>Stakeholder Engagement</b>				
<b>G4-24</b> List of stakeholders		7.1. Stakeholder Engagement System	112–114	√
<b>G4-25</b> Basis for identification and selection of stakeholders with whom to engage		7.1. Stakeholder Engagement System	112–114	√
<b>G4-26</b> Approach to stakeholder engagement		7.1. Stakeholder Engagement System	112–114	√
<b>G4-27</b> Key topics and concerns that have been raised through stakeholder engagement		Appendix 13	154	√
<b>Report Profile</b>				
<b>G4-28</b> Reporting period		01.01–31.12.2015		√
<b>G4-29</b> Date of most recent previous sustainability report		<i>Vnesheconombank Group's Sustainability Report 2014 was published in August 2015</i>		√
<b>G4-30</b> Reporting cycle		<i>Vnesheconombank Group publishes its non-financial reports on an annual basis</i>		√
<b>G4-31</b> Contact point for questions regarding the report or its contents		Appendix 15	156	√
<b>G4-32</b> GRI Content Index		Appendix 1	140–147	√
<b>G4-33</b> Assurance		About the Report Appendix 14	7–9	√
<b>Corporate Governance</b>				
<b>G4-34</b> Governance structure of the organisation, including committees of the highest governance body		6.1. Corporate Governance System	96–100	√
<b>Ethics and Integrity</b>				
<b>G4-56</b> Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	<b>Principles 1, 2, 6, 10</b>	6.3. Responsible Business Practices 8.1. HR Policy 8.3. Green Office <i>At Vnesheconombank and most entities of the Group, principles, standards and norms of conduct are governed by regulatory documents (codes of corporate conduct, codes of ethics and corporate standards, etc.). Employees are trained on business conduct during an onboarding course. Some entities of the Group also have in place a relevant online training course</i>	104–109, 124–131, 134–137	√



GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>EC ECONOMIC</b>				
<b>EC-DMA</b> Disclosure of management approach	<b>Principle 10</b>	1.1. Key Performance Indicators of Vnesheconombank Group	12–22	✓
<b>G4-EC1</b> Direct economic value generated and distributed	<b>Principle 10</b>	5.2. Charity and Sponsorship Appendix 10 <i>Vnesheconombank's Annual Report 2015</i> <a href="http://www.veb.ru/ifi/rep/annual/">http://www.veb.ru/ifi/rep/annual/</a> <i>Annual reports of Vnesheconombank Group's entities published on their official web-sites</i>	152, 90–93	✓
<b>G4-EC3</b> Coverage of the organisation's defined benefit plan obligations	<b>Principle 6</b>	8.1. HR Policy	124–131	✓
<b>G4-EC4</b> Financial assistance received from government	<b>Principle 10</b>	Appendix 11	153	✓
<b>G4-EC5</b> Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	<b>Principles 1, 6</b>	Appendix 9 <i>Salary at Vnesheconombank Group is not conditional upon the employee's gender. In the Report, the breakdown by country (Russia, Belarus, Ukraine) is used as a breakdown by significant location of operation of Vnesheconombank Group</i>	152	✓
<b>G4-EC7</b> Development and impact of infrastructure investments and services supported	<b>Principle 10</b>	1.1. Key Performance Indicators of Vnesheconombank Group 2. Investing in Development 3. Developing Economic Potential 4. Improving the Investment Climate 5. Investing in the Community	12–22, 30–93	✓
<b>G4-EC8</b> Significant indirect economic impacts, including the extent of impacts	<b>Principle 10</b>	1.1. Key Performance Indicators of Vnesheconombank Group 2. Investing in Development 3. Developing Economic Potential 4. Improving the Investment Climate 5. Investing in the Community	12–22, 30–93	✓
<b>EN ENVIRONMENTAL</b>				
<b>EN-DMA</b> Disclosure of management approach	<b>Principles 7, 8, 9</b>	8.3. Green Office	134–137	✓
<b>G4-EN1</b> Materials used by weight or volume	<b>Principles 7, 8, 9</b>	8.3. Green Office	134–137	✓
<b>G4-EN3</b> Energy consumption within the organisation	<b>Principle 8</b>	8.3. Green Office <i>In line with GRI Guidelines, quantitative data were converted from kW-h and Gcal into GJ using ratios 0.0036 and 4.1868, respectively</i>	134–137	✓
<b>G4-EN6</b> Reduction of energy consumption	<b>Principle 8</b>	<i>In 2015, total electricity consumption by Vnesheconombank Group went down 2.5% to 139,049 GJ</i>		✓

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>G4-EN8</b> Total water withdrawal by source	<b>Principle 8</b>	8.3. Green Office <i>In 2015, water consumption by Vnesheconombank Group slightly decreased to 194,828.68 cu m</i>	134–137	✓
<b>G4-EN15</b> Direct greenhouse gas emissions	<b>Principles 7, 8, 9</b>	8.3. Green Office <i>The equivalent of CO<sub>2</sub> emissions from electricity consumption was calculated in line with the guidelines of the European Bank for Reconstruction and Development, and from corporate vehicles, in line with the Safeguarding the Ozone Layer and the Global Climate System : Issues Related to Hydrofluorocarbons and Perfluorocarbons</i>	134–137	✓
<b>G4-EN23</b> Total weight of waste by type and disposal method	<b>Principles 7, 8, 9</b>	8.3. Green Office <i>In 2015, municipal solid waste transferred by Vnesheconombank Group to burial sites grew 40% to 3,860 tonnes</i>	134–137	✓
<b>G4-EN29</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<b>Principle 8</b>	<i>In 2015, neither Vnesheconombank, nor the Group's entities were liable to any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations</i>		✓
<b>G4-EN30</b> Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	<b>Principles 7, 8, 9</b>	8.3. Green Office	134–137	✓
<b>G4-EN31</b> Total environmental protection expenditures and investments	<b>Principles 7, 8, 9</b>	<i>In 2015, Vnesheconombank Group's environmental costs came at RUB 82.5 mn, including RUB 4.1 mn of fines for adverse environmental impact</i>		✓

## SOCIAL

### LA Labour Practices and Decent Work

<b>LA-DMA</b> Disclosure of management approach	<b>Principles 1–6</b>	8.1. HR Policy	124–131	✓
<b>G4-LA1</b> Total number and rates of new employee hires and employee turnover by age group, gender and region	<b>Principle 6</b>	8.1. HR Policy Appendix 4	124–131, 148	✓
<b>G4-LA2</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<b>Principle 6</b>	8.1. HR Policy <i>Social benefits are offered by Vnesheconombank Group to all staff employees after the probation period</i>	124–131	✓

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>G4-LA3</b> Return to work and retention rates after parental leave, by gender	<b>Principle 6</b>	Appendix 5	150	√
<b>G4-LA4</b> Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<b>Principles 1, 3, 6</b>	<i>In line with the Russian Labour Code, the notice period at Vnesheconombank and the Group's entities operating in Russia is two weeks. In BelVEB and Prominvestbank, the notice period provision is included in collective bargaining agreements</i>		√
<b>G4-LA6</b> Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<b>Principle 1</b>	8.1. HR Policy Appendix 7 <i>In its relations with contractors, Vnesheconombank Group is not liable for health and safety of contractors' personnel in the work place</i>	124–131, 151	√
<b>G4-LA9</b> Average hours of training per year per employee by gender and by employee category	<b>Principle 6</b>	8.1. HR Policy <i>Prominvestbank calculates average hours of training per year based on the duration of standard trainings and the number of employees they relate to</i>	124–131	√
<b>G4-LA10</b> Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<b>Principle 6</b>	8.1. HR Policy	124–131	√
<b>G4-LA11</b> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<b>Principles 2, 6</b>	8.1. HR Policy Appendix 8	124–131, 152	√
<b>G4-LA16</b> Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms	<b>Principles 1, 2, 6, 10</b>	<i>In 2015, Sviaz-Bank, VEB-Leasing and Globexbank registered 11 grievances from their employees. All grievances were reviewed and resolved in line with Russian labour laws</i>		√
<b>HR Human Rights</b>				
<b>HR-DMA</b> Disclosure of management approach	<b>Principles 1–6, 10</b>	6.3. Responsible Business Practices 8.1. HR Policy	104–109, 124–131	√
<b>G4-HR3</b> Total number of incidents of discrimination and corrective actions taken	<b>Principles 1, 2, 6</b>	<i>All employees of Vnesheconombank Group are guaranteed equal rights and opportunities regardless of their gender, religious and political beliefs, ethnic origin and age. No cases of discrimination were identified at Vnesheconombank Group in 2015</i>		√

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>G4-HR12</b> Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	<b>Principles 1, 2, 6, 10</b>	<i>No cases of grievances about human rights impacts were registered at Vnesheconombank Group in 2015</i>		✓
<b>SO Society</b>				
<b>SO-DMA</b> Disclosure of management approach	<b>Principles 1, 2</b>	6.3. Responsible Business Practices 7. Stakeholder Engagement	104–121	✓
<b>G4-S01</b> Percentage of operations with implemented local community engagement, impact assessments and development programs	<b>Principles 1, 2</b>	2.4. Regional Development Projects 2.5. Support to Single-Industry Towns 3.2. Support to SME 3.3. Development of Public Private Partnerships	46–55, 63–69	✓
<b>G4-S03</b> Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<b>Principle 10</b>	6.3. Responsible Business Practices	104–109	✓
<b>G4-S04</b> Communication and training on anti-corruption policies and procedures	<b>Principle 10</b>	6.3. Responsible Business Practices Appendix 6 <i>Vnesheconombank Group does not train business partners on anti-corruption policies and procedures</i>	104–109, 150	✓
<b>G4-S05</b> Confirmed incidents of corruption and actions taken	<b>Principle 10</b>	<i>No confirmed incidents of corruption were identified at Vnesheconombank Group in 2015</i>		✓
<b>G4-S08</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<b>Principles 1, 2, 10</b>	<i>In 2015, material fines were imposed on Prominvestbank (RUB 1.2 mn), SME Bank and Globexbank (RUB 0.5 mn each), and on Sviaz-Bank (RUB 0.2 mn). The breaches identified were related to incompliance with tax and labour laws, default on the terms of agreements with counterparties, AML / CFT requirements, fire safety rules, and incompliance with requirements to mandatory provisions and failure to make allocations to the social security fund. The fines were paid, and the entities took all necessary steps to address the breaches. No non-financial sanctions regarding Vnesheconombank Group were identified in 2015</i>		✓
<b>G4-S011</b> Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	<b>Principles 1, 2, 10</b>	<i>No grievances about projects financed by Vnesheconombank Group were filed by local residents in 2015</i>		✓
<b>PR Product Responsibility</b>				
<b>PR-DMA</b> Disclosure of management approach	<b>Principles 1, 2, 10</b>	6.3. Responsible Business Practices	104–109	✓
<b>G4-PR5</b> Results of surveys measuring customer satisfaction	<b>Principles 1, 2</b>	6.3. Responsible Business Practices	104–109	✓

GRI G4 disclosures	Principles of the UN Global Compact	Section of the Report/ Comments	Report page	Assurance
<b>G4-PR8</b> Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<b>Principles 1, 2, 6, 10</b>	<i>No cases of grievances about loss of customer data were registered at Vnesheconombank Group in 2015</i>		√
<b>FS Financial Services Sector Supplement</b>				
<b>FS-DMA</b> Disclosure of management approach	<b>Principles 1, 2, 6-9</b>	About the Report 1. Business Lines of Vnesheconombank Group 2.1. Investment Management 3.1. Support to Exports 4.2. Developing HR Potential in the Investment Market 6.1. Corporate Governance System 6.2. Risk Management at Vnesheconombank Group 7. Stakeholder Engagement 8.3. Green Office	7-36, 58-62, 75-79, 96-103, 112-121, 134-135	√
<b>G4-FS6</b> Percentage of the portfolio for business lines by specific region, size and sector		1.1. Key Performance Indicators of Vnesheconombank Group 2. Investing in Development 3. Developing Economic Potential	12-22, 30-69	√
<b>G4-FS7</b> Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		2. Investing in Development 3. Developing Economic Potential 5.1. Investment of Pension Savings 6.3. Responsible Business Practices	30-69, 86-89, 104-109	√
<b>G4-FS8</b> Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	<b>Principle 8</b>	2.3. Environmentally Important Projects	42-45	√

## Appendix 2

### Principles of the UN Global Compact

<b>Human Rights</b>
<b>Principle 1.</b> Businesses should support and respect the protection of internationally proclaimed human rights; and
<b>Principle 2.</b> make sure that they are not complicit in human rights abuses
<b>Labour</b>
<b>Principle 3.</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
<b>Principle 4.</b> the elimination of all forms of forced and compulsory labour
<b>Principle 5.</b> the effective abolition of child labour; and
<b>Principle 6.</b> the elimination of discrimination in respect of employment and occupation
<b>Environment</b>
<b>Principle 7.</b> Businesses should support a precautionary approach to environmental challenges
<b>Principle 8.</b> undertake initiatives to promote greater environmental responsibility; and
<b>Principle 9.</b> encourage the development and diffusion of environmentally friendly technologies
<b>Anti-Corruption</b>
<b>Principle 10.</b> Businesses should work against corruption in all its forms, including extortion and bribery

## Appendix 4

### Total Headcount and Turnover at Vnesheconombank Group in 2015 Broken Down by Gender and Age

Item	Total headcount of the entity as of 31 December 2015			Total number of new hires in 2015		
	Vnesheconombank	Other entities of the Group	Vnesheconombank Group	Vnesheconombank	Other entities of the Group	Vnesheconombank Group
<b>Total, including:</b>	<b>2,065</b>	<b>12,956</b>	<b>15,017</b>	<b>115</b>	<b>2,393</b>	<b>2,508</b>
<b>Men</b>	<b>913</b>	<b>4,141</b>	<b>5,054</b>	<b>61</b>	<b>806</b>	<b>867</b>
up to 30	183	946	1,129	29	381	410
from 31 to 50	481	2,417	2,898	27	362	389
above 50	249	778	1,027	5	63	68
<b>Women</b>	<b>1,152</b>	<b>8,811</b>	<b>9,963</b>	<b>54</b>	<b>1,587</b>	<b>1,641</b>
up to 30	219	2,822	3,041	29	855	884
from 31 to 50	705	5,078	5,783	23	668	691
above 50	228	911	1,139	2	64	66

### Appendix 3

#### Breakdown of Vnesheconombank Group's Personnel by Employment Type, Employment Contract, Staff and Non-Staff Workforce and Gender

Item	Vnesheconombank		Other entities of the Group		Vnesheconombank Group	
	male	female	male	female	male	female
<b>Breakdown of actual headcount by type of employment</b>						
<b>Total headcount of the entity, including:</b>	<b>913</b>	<b>1,152</b>	<b>4,141</b>	<b>8,811</b>	<b>5,054</b>	<b>9,963</b>
Full-time employees	897	1,130	3,299	6,613	4,196	7,743
Part-time employees	16	22	842	2,198	858	2,220
Non-staff workforce	232	81	157	271	389	352
<b>Breakdown of actual headcount by type of agreement and gender</b>						
<b>Total headcount of the entity, including:</b>	<b>913</b>	<b>1,152</b>	<b>4,141</b>	<b>8,811</b>	<b>5,054</b>	<b>9,963</b>
Employed under an indefinite term agreement	897	1,130	3,295	6,607	4,192	7,737
Employed under a fixed term agreement	16	22	846	2,204	862	2,226
<b>Breakdown of actual headcount by employee category and gender</b>						
<b>Total headcount of the entity, including:</b>	<b>913</b>	<b>1,152</b>	<b>4,141</b>	<b>8,811</b>	<b>5,054</b>	<b>9,963</b>
Executives	371	358	1,097	1,354	1,468	1,712
Specialists	475	787	2,453	7,225	2,928	8,012
Other categories	67	7	591	232	658	239

Percentage of new hires in 2015			Total number of all dismissals in 2015			Personnel turnover ratio in 2015		
Vnesheconombank	Other entities of the Group	Vnesheconombank Group	Vnesheconombank	Other entities of the Group	Vnesheconombank Group	Vnesheconombank	Other entities of the Group	Vnesheconombank Group
5.57	18.48	16.70	146	3,163	3,309	0.07	0.24	0.22
2.95	6.22	5.77	83	1,089	1,172	0.04	0.08	0.08
1.40	2.94	2.73	17	493	510	0.01	0.04	0.03
1.31	2.79	2.59	33	448	481	0.02	0.03	0.03
0.24	0.49	0.45	33	148	181	0.02	0.01	0.01
2.62	12.25	10.93	63	2,074	2,137	0.03	0.16	0.14
1.40	6.60	5.89	11	1,130	1,141	0.01	0.09	0.08
1.11	5.16	4.60	17	794	811	0.01	0.06	0.05
0.10	0.49	0.44	35	150	185	0.02	0.01	0.01

**Appendix 5****Breakdown of Employees Returned from a Maternity and/or Parental Leave in 2015, and Employees who Stayed with the Employer on their Return from a Maternity and/or Parental Leave, by Gender**

Item	Vnesheconombank		Other entities of the Group		Vnesheconombank Group	
	male	female	male	female	male	female
Total number of employees who took a maternity / parental leave in 2015	4	46	3	866	7	912
Total number of employees who stayed with the employer after their return from a maternity / parental leave in 2015	1	38	0	274	1	312
Total number of employees who were to return to the employer in 2015 after a maternity / parental leave	0	27	0	452	0	479
Ratio of return by employees after a maternity / parental leave in 2015 (%)	0	140.7*	0	60.6	0	65.1
Total number of employees who returned to the employer after a maternity / parental leave in 2014 and stayed with the employer as of 31 December 2015, (i. e. who worked for more than one year after their return from a maternity / parental leave)	1	22	0	131	1	153
Total number of employees who stayed with the employer after their return from a maternity / parental leave in 2014	1	23	0	241	1	264
Retention ratio of employees after a maternity / parental leave in 2015 (%)	100	95.7	0	54.4	100	58

\* Vnesheconombank Group accounts for these data based on relevant maternity / parental leave orders. An above 100% ratio means that the employee has returned from a maternity / parental leave before the child has become three years old.

**Appendix 6****Total Number and Share of Employees of Vnesheconombank Group\* Trained on Anti-Corruption Policies and Procedures Broken down by Employee Category**

Entity	Number of employees trained in 2015			Share of employees trained in 2015		
	Executives	Specialists	Other categories	Executives	Specialists	Other categories
Vnesheconombank	26	6	0	3.6%	0.5%	0%
SME Bank	0	0	0	0%	0%	0%
Globexbank	259	1,738	10	107.9**%	97.9%	18%
Sviaz-Bank	0	0	0	0%	0%	0%
BelVEB	0	0	0	0%	0%	0%
Prominvestbank	40	256	2	8.5%	15.9%	1%
VEB-Leasing	0	0	0	0%	0%	0%
REC	0	0	0	0%	0%	0%
VEB Engineering	0	0	0	0%	0%	0%
VEB Capital	0	0	0	0%	0%	0%
FCPF	0	1	0	0%	1.3%	0%
RDIF	23	123	13	100%	117.1%	100%
NCDC	0	0	0	0%	0%	0%
The Far East and Baikal Region Development Fund	0	0	0	0%	0%	0%
VEB-Innovations Fund	0	0	0	0%	0%	0%
VEB Asia	0	0	0	0%	0%	0%
<b>TOTAL for Vnesheconombank Group</b>	<b>348</b>	<b>2,124</b>	<b>25</b>	<b>10.9%</b>	<b>19.4%</b>	<b>2.8%</b>

\* The data is given as a percentage of the actual headcount as of 31 December 2015.

\*\* The excess above 100% is due to the renewal of entities' personnel in 2015.



## Appendix 7

### Occupational Injury Rate\*, Occupational Disease Rate, Lost Day Ratio and Absenteeism Ratio at Vnesheconombank Group Broken down by Gender

Entity	Gender	Total number of incidents involving injuries	Injury rate	Occupational disease rate	Lost day ratio	Absenteeism ratio
Vnesheconombank	M	0	0	0	0	28,645.90
	F	0	0	0	0	32,975.78
SME Bank	M	0	0	0	0	6,517.28
	F	1	0.57	0	32.48	9,347.88
Globexbank	M	0	0	0	0	2,507.51
	F	0	0	0	0	5,239.77
Sviaz-Bank	M	0	0	0	8.36**	17,675.78
	F	1	0.05	0	0.95	1,873.87
BelVEB	M	0	0	0	0	4,212.52
	F	2	0.16	0	12.22	7,861.86
Prominvestbank	M	0	0	0	0	3,337.37
	F	0	0	0	0	6,618.88
VEB-Leasing	M	0	0	0	0	2,149.21
	F	0	0	0	0	5,536.67
REC	M	0	0	0	0	1,022.15
	F	0	0	0	0	1,282.05
VEB Engineering	M	0	0	0	0	2,340.75
	F	0	0	0	0	1,815.51
VEB Capital	M	0	0	0	0	20.55
	F	0	0	0	0	370.68
FCPF	M	0	0	0	0	4,403.49
	F	0	0	0	0	5,113.80
RDIF	M	0	0	0	0	942.30
	F	0	0	0	0	4,879.21
NCDC	M	0	0	0	0	865.05
	F	0	0	0	0	499.17
The Far East and Baikal Region Development Fund	M	0	0	0	0	0
	F	0	0	0	0	1,133.84
VEB-Innovations Fund	M	0	0	0	0	270.27
	F	0	0	0	0	0
VEB Asia	M	0	0	0	0	0
	F	0	0	0	0	0

\* The occupational injury rate, occupational disease rate, lost day ratio and absenteeism ratio are calculated in line with GRI Guidelines. The lost day ratio due to occupational injuries was calculated in calendar days from Day 1 of the employee's absence. Vnesheconombank Group does not keep records of minor injuries that only require first medical aid.

\*\* The injury took place in 2014, but the 78 days recorded in the disability certificate were carried forward to 2015.

**Appendix 8****Breakdown of Vnesheconombank Group's Employees who Completed Performance Appraisal in 2015 by Employee Category and Gender\* (%)**

Category	Vnesheconombank		Other entities of the Group		Vnesheconombank Group	
	male	female	male	female	male	female
Executives	93.6	91.2	20.1	18.5	44.0	39.0
Specialists	116.0**	98.7	36.6	32.4	45.6	37.0
Other categories	4.3	107.3	9.5	15.1	8.9	39.2

\* The data is given as a percentage of the actual headcount as of 31 December 2015.

\*\* The excess above 100% is due to the renewal of Vnesheconombank's personnel in 2015.

**Appendix 9****Ratios of Entry Level Wage to Existing Minimum Wage\* by Employee Category**

Category	Executives	Specialists	Other categories
Vnesheconombank	4.0	2.6	2.3
Other entities of the Group	2.8	1.1	1.3

\* The defined minimum wage was calculated based on the regional minimum wage applicable in significant locations of Vnesheconombank Group's operation in Russia (Moscow, Yessentuki, Khabarovsk Territory, Primorye Territory), Belarus, Ukraine and Hong Kong.

**Appendix 10****Direct Economic Value Generated and Distributed at Vnesheconombank Group**

Item	Values, RUB mn (under consolidated IFRS Statements)
<b>Direct economic value generated</b>	
Interest income	325,292
Net commission fees	9,141
Non-interest income	332,856
<b>Economic value distributed</b>	
Employee wages and benefits	(24,642)
Interest expenditures	(258,273)
Taxes other than profit tax	(5,265)
Profit tax expenditures	(282)
<b>Economic value retained</b>	
Profit / loss for the reporting year	14,940

## Appendix 11

### Financial Support to Vnesheconombank Group's Entities in 2015

Entity	Financial support by Vnesheconombank (RUB bn)	Financial support by government authorities (RUB bn)
Globexbank	5.0	0
Prominvestbank	15.7	0
VEB-Leasing	10.0	1.6 (government subsidies)
VEB Capital	0.6	0

## Appendix 12

### Information on the Number of Applications, including Complaints Filed by Customers or Partners of Vnesheconombank Group in 2015 that were Handled and Addressed through Official Facilities

Entity	Entity employees	Legal entities (except for SME)	SME	Retail customers
Globexbank	2	23	5	148
Sviaz-Bank	5	209	17	9,565
BelVEB	0	0	5	231
Prominvestbank	0	4	0	6,036
VEB-Leasing	4	0	2	0
<b>TOTAL for Vnesheconombank Group</b>	<b>11</b>	<b>231</b>	<b>28</b>	<b>16,958</b>

**Appendix 13****Table of Suggestions Submitted by Stakeholders\***

No.	Stakeholder suggestion	Section featuring the suggestion
1	Present social and environmental performance indicators of Vnesheconombank against targets	Not taken into account, as there are no social and environmental performance targets
2	Include in the Report year-on-year information on personnel costs for several years	Partially taken into account in the HR Policy section in expenses for 2015
3	Expand on the results of monitoring over social, economic and environmental performance by projects involving Vnesheconombank	Planned to be accounted for after comprehensive adoption of the appraisal methodology for the Bank's social and economic performance validated in 2015
4	Include in the Report information on the results of public discussion with stakeholders' representatives of the methodology for environmental and social due diligence investment projects	No public discussion of the methodology was undertaken in 2015
5	Expand on the procedure for determining material aspects of the Report	Taken into account in the About the Report section
6	Include in the Report information on variances in approaches applied by Vnesheconombank to financing of the development bank's projects and special projects	Taken into account in the Investment Management section. Expert appraisal and monitoring procedures existing in the Bank are applied to all projects regardless of whether they are included in the development bank's portfolio or the portfolio of special projects
7	Include in the Report information on the results of self-appraisal of Vnesheconombank's operations for compliance with ISO 26000:2010	In 2015, there was no self-appraisal of Vnesheconombank's operations for compliance with ISO 26000:2010
8	Include in the Report examples of successful projects implemented by Vnesheconombank and subsidiaries	Taken into account in the Support to Innovations, Environmentally Important Projects, Regional Development Projects, Support to SME, Support to Exports, Developing Public Private Partnership, and Investment Raising sections
9	Include in the Report information on the regional breakdown of environmental stewardship projects financed by Vnesheconombank	Taken into account in the Environmentally Important Projects section
10	Include in the Report information on procedures applied by Vnesheconombank when taking decisions to finance charitable projects and on their efficiency assessment	Partially taken into account in the Charity and Sponsorship section; no efficiency assessment of Vnesheconombank's charitable projects was run in 2015
11	Include in the Report information on socially important projects of subsidiary banks	Taken into account in the Responsible Business Practice section in the information on socially important products and services offered by subsidiary banks
12	Include in the Report information on the results of Vnesheconombank's efforts to promote sustainability in the business community	Taken into account in the Involvement in the UN Global Compact section

\* Suggestions provided by stakeholders were received as part of the public assurance of Vnesheconombank Group's Sustainability Report 2014 by the RUIE's Non-Financial Reporting Council and public hearings on the concept of Vnesheconombank Group's Non-financial Report 2015.

## Appendix 14

### Opinion by Vnesheconombank's Internal Control Service on the Independent Review of Vnesheconombank Group's Non-financial Report 2015

According to internal regulations of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", Vnesheconombank's Internal Control Service has reviewed the information included in Vnesheconombank Group's Sustainability Report 2015.

Responsibility of Vnesheconombank's Internal Control Service is to express, based on the review results, its opinion on whether the information in the Report is reliable or not.

The review procedure was conducted in such a way as to ascertain that the information in Vnesheconombank Group's Non-financial Report 2015

was reliable in all material respects. Vnesheconombank's Internal Control Service reviewed the information in the Report using a sampling method, as well as collected and analysed the audit evidence confirming the adequacy of the information. Projections and representations to express opinions, views or intents were not subject to the review.

Based on the review results, nothing has come to the attention of Vnesheconombank's Internal Control Service that causes it to believe that the information in Vnesheconombank Group's Non-financial Report 2015 is not reliable.

Director  
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## Appendix 15 Contact Details

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Please send your proposals on improving  
the non-financial reporting practices  
of Vnesheconombank Group, including  
comments on the contents of this report  
and procedures for engaging stakeholders  
in its drafting, to the e-mail address  
below: [csr@veb.ru](mailto:csr@veb.ru).

Your opinion matters to us.



