Sustainability Report

2012

Vnesheconombank Group
Sustainability Report

2012

Vnesheconombank Group
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We are firmly convinced that sustainable development is exactly the right way to be followed by a modern society. Admittedly, it acquires a new urgency against the background of the mounting global challenges.

CHAIRMAN’S STATEMENT

Honorable Colleagues and Partners!

We present for your attention and consideration the VEB Group’s Sustainability Report. Actually, this is our 4th non-financial report. It highlights a wide range of issues related to Vnesheconombank’s and the VEB Group members’ contribution to building of an economically sustainable and socially and ecologically safe society.

We are firmly convinced that sustainable development is exactly the right way to be followed by a modern society. Admittedly, it acquires a new urgency against the background of the mounting global challenges. Apparently, at the moment, no other reasonable alternative could be offered. The idea of sustainability has been gaining prominence and attention both at the national and international levels. The formats of representative international forums only bear it out. Among them is the Rio+20 UN Conference on Sustainable Development that was held in 2012.

Guided by the international agenda, Vnesheconombank and the Group entities have been consistently embedding sustainability principles into the business practices. This could be best done through developing and putting into place an effective system of corporate social responsibility (CSR). Our endeavors are primarily intended to improve the efficiency of support extended for the implementation of major investment projects of national importance. We are immensely dedicated to promoting the PPP mechanisms and securing financial and guarantee support for the national exports. Also, our
goal is to significantly contribute to bolstering the development of SMEs in the country. These are the strategic goals facing the VEB Group.

In 2012 we summarized the results of the first five years of the Bank’s operation as a bank for development. In my judgment, over this period, which is a relatively short one, much has been accomplished. We managed to substantially increase the Bank’s loan portfolio. In 2012 it totaled RUB 720 billion. That brought us closer to achieving the target indicator set forth in the Bank’s Development Strategy to increase the Bank’s loan portfolio by 2015 to RUB 850 billion.

We were actively engaged in implementing dozens of investment projects that served as a strong leverage for developing major industries of the economy and the regions. Actually, we engage in projects designed for improving transport, housing and public utilities infrastructure. The Bank is funding projects in the area of public health, medicine and telecommunications. Apart from that, Vnesheconombank’s loan portfolio has been witnessing continuous growth in the number of projects intended for protecting the environment, encouraging innovations and enhancing the energy effectiveness and efficiency of the natural resource utilization. Thus, in 2012 the share of innovative projects in Vnesheconombank’s loan portfolio reached 33.7%, with the share of “green” projects amounting to 38.5%.

We view the establishment of the VEB Group as a no less important outcome of our dedicated 5-year work. The Group incorporated major banks of Russia, the Ukraine, the Republic of Belarus, as well as
specialized financial organizations, the activities of which aim to address the key challenges of the Russian economy. VEB’s subsidiaries’ contribution to the Bank’s overall effort is hard to underestimate. That includes developing such strategically important regions as the North Caucasus and the Far East, establishing a system of support for the Russian industrial exports, attracting foreign investment in the country’s economy, implementing the state program of SME support, and developing the leasing services market, etc.

Given the immense scale and scope of the VEB Group’s activities we bear special responsibility for the work outcomes. In this context, Vnesheconombank views formulating uniform Group-wide standards of management as a priority task. That primarily concerns evaluation and monitoring of the economic, environmental and social impacts of implementing major investment projects, in which both Vnesheconombank and the Group members engage.

In 2012 it was Vnesheconombank that started to consistently embed the principles of responsible financing in the lending and investment activities. The best practices accepted by the leading foreign financial institutions, as well as major financial initiatives served as benchmarks for us. First and foremost, it is the United Nations Environment Program Finance Initiative (UNEP FI). Vnesheconombank joined it in 2013. That was a clear demonstration of our commitment and dedication to the principles of sustainability and our preparedness to demonstrate due regard for environmental and social project impacts when taking investment decisions and directly engaging in project delivery.

One of the key lines of Vnesheconombank’s CSR Strategy for 2012–2015 is introducing the practice of responsible financing. The document serves as a major benchmark for enhancement of performance efficiency in the field of sustainable development. In order to fulfill the CSR Strategy we have set ourselves formidable tasks of upgrading internal business processes and promoting sustainability principles. Moreover, we undertook to accomplish these tasks not only within the VEB Group entities, but we also meant to embrace the entire business community in Russia.

Traditionally, Vnesheconombank has adopted an active position with regard to interaction and experience exchange between Russian and foreign companies. Sustainability development comes high on the thematic agenda. These activities are carried out by Vnesheconombank, among other things, within the framework of the Bank’s engagement with the UN Global Compact (UNGC) network, an international platform that brings together institutions taking a clear lead in the field of the CSR in their countries. Recognizing the importance of business sustainability Vnesheconombank undertakes the task of establishing the UNGC Network Russia. In 2013, A. Ivanov, Deputy Chairman-Member of the Management Board of Vnesheconombank, was elected as Chairman of the of UN Global Compact Network Russia.

Vnesheconombank’s priorities also include nurturing the investment culture and enhancing investment activities. Educational project “Training Specialists — Participants in Investment Projects Implemented with the Support of Development Institutions” is one of the Bank’s key initiatives in this respect. Within the framework of the project, hundreds of participants representing the business com-
munity, public authorities and young specialists have undergone the training courses. We are actively engaged in specialist training and education to provide knowledge required to build staff capability and capacity to engage in PPP projects. We have also made a concerted effort to enhance the qualifications of the young specialists in investment management. In 2012 a Youth Club of Vnesheconombank was established, which brings together creative young talents from Moscow universities and the Bank’s professionals to discuss the most pressing socio-economic challenges of the country and come up with new ideas for regional development.

In 2012 Vnesheconombank established the annual “Development Award”, which is now recognized as “Investment Oscar”. It is conferred on nominees for outstanding achievements in the implementation of investment programs and projects that are of immense importance for the sustainable socio-economic development of Russia. Quality projects nominated for the award in 2013 expressly demonstrate Russia’s ever-growing investment potential.

Vnesheconombank will continue to pursue committed and targeted policies to modernize the Russian economy and promote sustainability principles. It should be mentioned that public authorities, Russian and foreign financial organizations, real sector enterprises and the expert community will be our credible and reliable partners in these endeavors. Hopefully, our joint efforts will deliver good value both for the people in Russia and in other countries.

Vladimir Dmitriev
Chairman of Vnesheconombank
ABOUT THE REPORT

This Report presents the outcomes of the 2012 sustainability activities of the Vnesheconombank Group ("the VEB Group"). The Report is the 4th non-financial report prepared by Vnesheconombank and the 2nd report consolidating the VEB Group information. The 1st non-financial report containing information on all members of the Group was published in the previous reporting period1.

For the purpose of this Report, the VEB Group includes Vnesheconombank and its subsidiaries and affiliates operating to implement particular provisions of Federal Law No. 83-FZ dated 17 May 2007 "On Bank for Development"2.

This Report was prepared in compliance with the Regulations for the Social (Non-Financial) Reporting of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)", Sustainability Reporting Guidelines (GRI Guidelines, version 3.0) and Financial Service Sector Supplement. Vnesheconombank self-declares a B+ GRI application level. The Report also describes Vnesheconombank’s approaches to achieving the UN Global Compact principles applied to human rights protection, labour relations, environmental safety and anti-corruption law enforcement.

The principal topics of the Report unveil the performance by Vnesheconombank of its functions of a national development bank and the contribution by the Group members to the attainment of Vnesheconombank’s strategic objectives of supporting sustainable innovative social and economic development of the Russian Federation. The report also presents the results of the 1st year of implementing Vnesheconombank’s CSR Strategy for 2012-2015.

To determine the contents of this Report, Vnesheconombank followed the GRI Guidelines and the best non-financial reporting practices of Russian and foreign financial institutions. Additionally, Vnesheconombank took into account the non-financial reporting recommendations issued by the RSPP Union following an independent assurance of the previous 2011 VEB Group Sustainability Report. This Report presents a more detailed description of:

- the governance system development in the VEB Group;
- the principles of investment projects selection applied by Vnesheconombank;
- Vnesheconombank’s approaches to cooperation with stakeholders;
- the results of Vnesheconombank’s cooperation with international financial institutions.

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1 Vnesheconombank publishes non-financial reports on an annual basis. The previous 2011 Vnesheconombank Group Sustainability Report was adopted by the Management Board of Vnesheconombank on 15 November 2012 and approved by the Supervisory Board of Vnesheconombank on 17 December 2012.

2 This definition of “Vnesheconombank Group” differs from the definition of “banking group” or “financial industrial group” used in the applicable Russian law.
The process of information collection, presentation and confirmation by the VEB Group members was based on recommendations for the Group participants developed by Vnesheconombank during the period under review. Furthermore, to ensure uniform approaches of the VEB Group members to specification and recording of non-financial indicators provided for the Report, Vnesheconombank arranged a training seminar for the Group members’ representatives.

This report was also independently corroborated by ZAO PricewaterhouseCoopers Audit, audited by the Internal Control Service of Vnesheconombank and assured by the RSPP Union for Non-Financial Reporting.
1. VEB Group Today

1.1. General Information

The mission of Vnesheconombank is to contribute to implementing the state social and economic policies, boost the competitive edge of the Russian economy and secure its innovation-based modernization. In its activities, Vnesheconombank is guided by the national interests and principles approved by the Government of the Russian Federation.

1.1.1. Vnesheconombank’s Profile

State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” was created in 2007 through reorganization of Vnesheconombank of the USSR, one of Russia’s oldest financial institutions. The special status of the first national development bank in Russia specifies the scale of tasks delegated to Vnesheconombank in the course of implementing the state economic policies.


Vnesheconombank’s activities are designed to ensure a sustainable innovative social and economic development of the Russian Federation based on modernization and enhanced competitiveness of the Russian economy. Vnesheconombank is engaged in investment, foreign economic, insurance, advisory and other activities provided for by the Federal Law “On Bank for Development” to implement in Russia and abroad projects, including those with foreign participation, aimed at the development of infrastructure, innovations, special economic zones (SEZ), environmental protection, support for exports of Russian goods, works and services as well as support for small and medium-sized enterprises (SMEs).
Acting as a state financial development institution, Vnesheconombank is seeking to promote sustainable growth of the Russian economy, environmental improvement and social welfare. Vnesheconombank’s investment projects are designed to boost a number of industries and regions contributing to Russia’s transition to an innovative socially-oriented type of economic development.

Underlying Vnesheconombank’s activities are the following principles:

- absence of competition with commercial financial institutions;
- openness;
- viability;
- preference to public-private partnership (PPP) projects;
- environmental responsibility.

Apart from performing the functions of a bank for development, Vnesheconombank also acts as an agent for the Government of the Russian Federation and a state trust management company (STMC) to manage pension savings of the Russian citizens. Furthermore, in 2008 Vnesheconombank was entrusted with the implementation of the Russian Government’s anti-recessionary measures to maintain the stability of the Russian financial system and the leading enterprises of the real economy.

Vnesheconombank uses its profit exclusively to attain the objectives set by the Supervisory Board. The Bank is actively engaged in forming a long-term resource base required for securing enhanced support for the national economy by raising foreign loans and issuing debt securities.

The Bank’s impeccable financial reputation both in Russia and abroad is one of the key factors determining successful implementation of the tasks set. In 2012 Vnesheconombank ranked 8th on the list of the most reliable banks in the Central and Eastern Europe published by Global Finance.

As at 01.01.2013, Vnesheconombank’s organizational structure included 33 standalone structural divisions and 17 representative offices in Russia and abroad, including the representative office in Nizhny Novgorod opened in 2012.
Principal Lines of Vnesheconombank’s Operations

| Fulfillment of the development bank functions | • Funding investment projects along the main lines and industry priorities of investment activities including projects designed to eliminate the infrastructure constraints to economic growth, support innovations, enhance the efficient use of natural resources and energy efficiency, etc.  
• Supporting exports of industrial products  
• Contributing to the development of the market of public private partnership projects  
• Supporting the development of SMEs  
• Integrated territorial development and single-industry towns modernization |
| --- | --- |
| Acting as an agent of the Russian Government and the state management company | • Servicing foreign debt and state external financial assets of the Russian Federation  
• Collecting legal entities’, Russian entities’ and municipalities’ debts to the Russian Federation  
• Issuing and executing sovereign guarantees of the Russian Federation  
• Trust management of pension savings |
| Implementation of the Russian Government’s anti-crisis policy | • Refinancing foreign debt obligations of Russian companies assumed before September 25, 2008  
• Extending subordinated loans to Russian lending institutions  
• Supporting stock market |

Non-financial reports of the VEB Group contain information on performing by Vnesheconombank the functions of a development bank and a state trust management company. Information on other business lines is presented in Vnesheconombank’s annual reports.

Vnesheconombank’s Representative Offices

<table>
<thead>
<tr>
<th>Foreign representative offices of Vnesheconombank</th>
<th>Vnesheconombank representative offices in Russia</th>
</tr>
</thead>
</table>
| • United Kingdom, London  
• India, New Delhi  
• India, Mumbai  
• Italy, Milan  
• China, Beijing  
• USA, New York  
• Germany, Frankfurt-am-Main  
• France, Paris  
• Switzerland, Zurich  
• South Africa, Johannesburg | • St. Petersburg  
• Khabarovsk  
• Yekaterinburg  
• Pyatigorsk  
• Krasnoyarsk  
• Rostov-on-Don  
• Nizhni Novgorod |
The VEB Group

The VEB Group includes entities engaged in investment activities as well as Russian and foreign lending institutions. The VEB Group organizations are seeking to ensure enhanced competitiveness of the Russian economy, promote its diversification and encourage investments. The VEB Group trade mark was registered with the Russian Public Register of Trade Marks and Service Marks in 2011.

As at 01.01.2013, the VEB Group comprised 15 organizations, including 6 major commercial banks in Russia, Ukraine and the Republic of Belarus and 9 specialized organizations.

Employment of all the tools possessed by the Group members enables Vneshconombank to more efficiently apply an integrated approach to fostering Russia’s economic development. Acting in common interests, each member of the Group handles particular issues including:

- development of strategically important Russian regions by OJSC North Caucasus Development Corporation (NCDC) and OJSC The Far East and Baikal Region Development Fund;
- expert evaluation and monitoring by LLC VEB Engineering of major projects implemented by Vneshconombank and the Group members;
- implementation by OJSC SME Bank of the state program of supporting SMEs;
- development of the leasing market including the SME segment as part of VEB-Leasing operations;
- support for Russian industrial exports provided by CJSC Roseximbank and OJSC Export Insurance Agency of Russia (EXIAR);
- attracting major investments, including foreign ones, for the purpose of Russia’s economy development through LLC Management Company of the Russian Direct Investment Fund (RDIF) and OJSC Federal Centre for Project Finance (FCPF);
- encouraging innovative development of the Russian economy by the Fund to Operate the Programme of Financial Support to the Skolkovo Foundation’s Investment Projects (VEB-Innovations Fund);
- management and handling of bad and non-core assets of the VEB Group and implementation of the 2010-2013 program of Vneshconombank’s investment in affordable housing construction and residential mortgages implemented by LLC VEB Capital;
- strengthening economic relations among Russia, Ukraine and the Republic of Belarus within the framework of activities carried out by OJSC Bank BelVEB (BelVEB) and PJSC Prominvestbank.

The VEB Group also includes 2 Russian universal commercial banks: CJSC GLOBEXBANK and OJSC Svya-Bank. The acquisition of majority interests in the authorized capital of the banks was motivated by the need to secure rehabilitation during the 2008–2010 financial crisis. The principal management objective of Vneshconombank is to increase the banks’ market value with a subsequent withdrawal from the capital.
## VEB Group

### Subsidiaries

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<th>Subsidiary</th>
<th>Vnesheconombank's Interest</th>
<th>Information</th>
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</thead>
<tbody>
<tr>
<td>2007</td>
<td>BelVEB Bank OJSC (Republic of Belarus)</td>
<td>97.52%</td>
<td>See information on BelVEB role in the Russian-Belorussian economic cooperation development on page 58, BelVEB environmental projects on page 49, SME support on page 78 of this Report</td>
</tr>
<tr>
<td>2008</td>
<td>GLOBEXBANK CJSC</td>
<td>99.99%</td>
<td>Information on SME support by GLOBEXBANK see on page 77-78 of this Report</td>
</tr>
<tr>
<td></td>
<td>SME Bank OJSC</td>
<td>100%</td>
<td>Information on the implementation by SME Bank of the state SME support program see on pages 72-75 of this Report</td>
</tr>
<tr>
<td></td>
<td>ROSEXIMBANK CJSC</td>
<td>100%</td>
<td>Information on the implementation by ROSEXIMBANK of the state policy of supporting Russian industrial exports and foreign economic activities see on pages 53–55 of this Report</td>
</tr>
<tr>
<td></td>
<td>Prominvestbank (Ukraine)</td>
<td>97.85%</td>
<td>Information on Prominvestbank environmental projects see on pages 49–50 of this Report</td>
</tr>
<tr>
<td>2009</td>
<td>Joint Stock Commercial Svyaz-Bank</td>
<td>99.47%</td>
<td>Information on SME support by Svyaz-Bank see on page 77 of this Report</td>
</tr>
</tbody>
</table>

### Specialized subsidiaries

<table>
<thead>
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<th>Subsidiary</th>
<th>Vnesheconombank's Interest</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>VEB-Leasing OJSC</td>
<td>84.63%</td>
<td>Information on SME services provided by VEB-Leasing see on page 78 of this Report</td>
</tr>
<tr>
<td>2010</td>
<td>VEB Engineering LLC</td>
<td>67.55%</td>
<td>Information on VEB Engineering engagement in Vnesheconombank Group investment projects management see on pages 30 and 50 of this Report</td>
</tr>
<tr>
<td></td>
<td>VEB Capital LLC</td>
<td>100%</td>
<td>Information on VEB Capital acting as Vnesheconombank's agent for the implementation of the 2010-2013 program of Vnesheconombank's investments in affordable housing construction and residential mortgages see on pages 89 of this Report</td>
</tr>
<tr>
<td></td>
<td>The Federal Centre for Project Finance OJSC (FCPF)</td>
<td>100%</td>
<td>Information on the implementation by FCPF of Vnesheconombank's program of regional and urban development funding see on pages 62–63 of this Report</td>
</tr>
<tr>
<td></td>
<td>The North Caucasus Development Corporation OJSC</td>
<td>100%</td>
<td>Information on the fund's participation in the region's development see on pages 40 of this Report</td>
</tr>
<tr>
<td>2011</td>
<td>The Management Company of the Russian Direct Investment Fund (RDIF) LLC</td>
<td>100%</td>
<td>Information on the encouragement by RDIF of FDI in the Russian economy see on pages 83–84 of this Report</td>
</tr>
<tr>
<td></td>
<td>Export Insurance Agency of Russia OJSC (EXIAR)</td>
<td>100%</td>
<td>Information on EXIAR's role in the implementation of the state export support system in the Russian Federation see on pages 56–58 of this Report</td>
</tr>
<tr>
<td></td>
<td>The Far East and Baikal Region Development Fund OJSC</td>
<td>100%</td>
<td>Information on the Fund’s participation in the region's development see on pages 40 of this Report</td>
</tr>
<tr>
<td></td>
<td>The Fund Operator of Program for Financial Assistance to Innovative Projects of Skolkovo Foundation (VEB Innovations Fund)</td>
<td>100%</td>
<td>Information on the support by the Fund of the Russian economy innovative development see on pages 44–45 of this Report</td>
</tr>
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</table>
1.2.

Governance System

The governance system of Vnesheconombank reflects best international practices of the leading foreign development banks. At present, the VEB Group continuously seeks to enhance integration and introduce uniform governance standards

1.2.1.

Vnesheconombank’s Governance System

Pursuant to the Federal Law “On Bank for Development”, Vnesheconombank is governed by the Supervisory Board, the Management Board and the Chairman.

The Supervisory Board is the supreme governing body of Vnesheconombank consisting of 8 members appointed by the Government of the Russian Federation for a term of 5 years and the Chairman of Vnesheconombank. The Supervisory Board is chaired by the Chairman of the Government of the Russian Federation. No members of the Supervisory Board except the Chairman are permanently employed by Vnesheconombank.

The Management Board is a collegiate governing body of Vnesheconombank consisting of the Chairman of Vnesheconombank and 8 members appointed by the Supervisory Board as advised by the Chairman of Vnesheconombank. The Management Board is supervised by the Chairman of Vnesheconombank.

Day-to-day management of Vnesheconombank is exercised by the Chairman of Vnesheconombank, the sole executive body of Vnesheconombank. The Chairman of Vnesheconombank is appointed by the President of the Russian Federation on the nomination of the Chairman of the Government of the Russian Federation.

In 2012 25 meetings of the Supervisory Board and 211 meetings of the Management Board were held. Presidential Decree No. 870 dated 18 June 2012 re-appointed Vladimir Dmitriev to the position of the Chairman of Vnesheconombank. In 2012 the composition of the Supervisory Board of Vnesheconombank was modified by directives of the Russian Government. Certain changes were also introduced to the composition of the Management Board.
To prepare recommendations for the resolutions subject to adoption by the Management Board of Vnesheconombank on the principal business lines, the Bank formed standing collegiate working bodies including the Committee for Development of Investment Operations, the Credit Committee, the Committee on Asset/Liability Management, the Budget Committee.

The Expert Council responsible for an in-depth analysis of Vnesheconombank’s principal business lines and preparing recommendations subject to consideration by the governing bodies acts as a consultative body of Vnesheconombank. Members of the Expert Council are approved by the Management Board of Vnesheconombank and selected from among scientists, researchers and business community representatives.

In 2012 to improve the corporate governance and control system, Vnesheconombank initiated the development of the Guidelines for Monitoring the Execution of Instructions Issued by the Collegiate Bodies of Vnesheconombank specifying the requirements to monitoring procedures.
1.2.2.

The VEB Group Governance System

Vnesheconombank is actively involved in implementing within the VEB Group flexible governance methods, uniform governance standards and standardized corporate procedures focusing on assistance to the Group members subject to the agreed strategic objectives.

The management system of the VEB Group is based on the principles of independent decision-making by the Group members combined with the supervisory control by Vnesheconombank. Vnesheconombank is represented on the Group members’ governing bodies stating the position of Vnesheconombank on such matters as the development of strategic and current policy plans of the Group members.

In 2012 Vnesheconombank established the Committee for the VEB Group Integration and Development authorized to prepare Group-wide cooperation recommendations pertaining to:

- development and implementation of the Group members’ strategies;
- investment operations;
- monitoring of day-to-day operations;
- HR management and increased personnel motivation;
- customer relations.

Furthermore, in 2012 Vnesheconombank formed the Working Group for Coordination of the Group Members’ Information Policy, the Working Group for Coordination of Public Borrowing Procedures for Vnesheconombank’s Subsidiary Banks and Companies, as well as the Working Group for Coordination of Liquidity and Risk Management by Vnesheconombank’s subsidiary banks and financial companies. As a result, Guidelines for Vnesheconombank’s Cooperation with Subsidiary Banks and Companies in Long-Term Liquidity Management and Coordination of Public Borrowing Procedures were approved.

In 2012 Vnesheconombank prepared methodological recommendations for the Strategy of VEB Subsidiary Banks’ Development. During the period under review, with due regard for the resolution of Vnesheconombank and based on the above recommendations, the development strategies were formulated for VEB Capital for 2012-2015, Globexbank for 2012-2015, SME Bank for 2013-2015, and VEB-Leasing (relating to leasing services for SMEs) for 2012-2017.

In 2012 to improve the efficiency of subsidiary banks’ management, Vnesheconombank designed a computer-based management information system “Subsidiary and Related Banks’ Report Collection, Verification and Analysis Module”. During the stage by stage launch of the module Svyaz-Bank was connected to the system.

Starting from 2011, the subsidiary banks’ efficiency is assessed according to the calculation method used for corporate key performance indicators (KPIs) selected subject to Vnesheconombank’s development strategy and based on the nature of each subsidiary bank’s operations. The 2012 results reported by 4 of 6 subsidiary banks exceeded target KPIs by 4% to 30%. Fulfillment of the KPIs by Svyaz-Bank showed 51% and by Prominvestbank — 98%. Individual KPIs were also determined for the subsidiary banks’ board members.

The future development of the subsidiary bank governance system will focus on the prevention of conflicts of interest within the Group and the updating of the subsidiary banks’ development strategies. Presently, Vnesheconombank also prepares proposals to employ the Globexbank’s and Svyaz-Bank’s regional networks for the promotion of the Group members’ services in Russian regions.

1.2.3.

The VEB Group Risk Management

In 2012 the VEB Group Risk Management Policies were developed as a major step towards the implementation of uniform standards and standardized corporate procedures. The Policies specify uniform principles and requirements to risk management and reporting processes based on advanced approaches including Basel II and Basel III recommendations. The Policies implementation will enhance the Group’s financial sustainability and efficient management of the Group’s capital to ensure successful attainment by the Group members of their objectives.

The Policies took into account requirements and recommendations of the CBR, supervisory authorities of the countries of the Group members domicile, recommendations issued by the Basel Committee on Bank-
ing Supervision and international standards of risk management such as COSO, GRC, ISO 31000, IAS (insofar as it relates to risk information disclosure and risk valuation).

The Policies envisage material modification of the Group’s risk management system including the appointment of Chief Risk Officer and risk officers in all the Group members. Additionally, pursuant to the Policies a new Vnesheconombank collegiate body will be set up, i.e. the Risk Management Committee responsible for the preliminary consideration of any matters relating to risk management including limit setting and approval of concrete transactions.

**VEB Group Risk Management System**

<table>
<thead>
<tr>
<th>Basic risk types</th>
<th>Project finance risk</th>
<th>Strategic risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock market risk</td>
<td></td>
<td>Interest rate risk</td>
</tr>
<tr>
<td>Liquidity risk</td>
<td></td>
<td>Exchange risk</td>
</tr>
<tr>
<td>Operational risk</td>
<td></td>
<td>Country risk</td>
</tr>
<tr>
<td>Credit risk</td>
<td></td>
<td>Regional risk</td>
</tr>
<tr>
<td>Market risk</td>
<td></td>
<td>Reputational risk</td>
</tr>
<tr>
<td>Compliance risk</td>
<td></td>
<td>Legal risk</td>
</tr>
</tbody>
</table>
1.3.

Vnesheconombank’s Development Strategy

Implementation of Vnesheconombank’s Development Strategy for 2011-2015 will secure quality changes in Russia’s social and economic development also owing to more intensive engagement of Vnesheconombank in the funding of innovative economy modernization programs and projects

1.3.1.

Basic Lines of Vnesheconombank’s Development Strategy

In 2012 Vnesheconombank continued the implementation of the 2011-2015 Development Strategy under which the Bank’s primary objective is to intensify the Bank’s operations as a development institution to maintain sustainable innovative social and economic development of the Russian Federation based on modernization and enhancing the competitive edge of the national economy.

The Strategy defines the prospects of Vnesheconombank’s development as:

- a national development bank, a leader in the funding and expert evaluation of major investment projects of national importance and programs of Russian industries and regions development;
- a centre for the promotion of PPP mechanisms and an investment consultant to the Government of the Russian Federation;
- a key agency responsible for the implementation of the state program of supporting SMEs;
- a centre for the financial and guarantee support for national exports;
- a state trust management company to manage pension savings;
- an agent for the Government of the Russian Federation to manage the sovereign foreign debt and state external financial assets, to recover debts owed to the federal budget and issue and execute state guarantees;
- a public and open organization securing a favourable investment climate and facilitating the development in Russia of an international financial centre;
- a financially sound institution;
• a strategy-oriented organization demonstrating responsible citizenship.

Vnesheconombank’s Development Strategy provides for continuous growth of investment project funding and increased share of innovative projects in the Bank’s loan portfolio, expanded support for exports of high-technology products and SME support programs as well as embedding in its activities the best investment project selection and management practices.

The achievement of Key Performance Indicators (KPIs) specified by Vnesheconombank’s Development Strategy3 would overall generate by 2015 year end RUB 1.9 tn or 2.4% of the GDP worth of Vnesheconombank’s support.

1.3.2.

Vnesheconombank’s Development Strategy Implementation Mechanisms

To enhance efficiency of Vnesheconombank’s Development Strategy implementation, the Bank is striving to create a strategic management system, with the concept approved by the Management Board in 2012. The system is based on the balanced score card (BSC) widely used in the present-day strategic management practice.

In 2012 within the framework of establishing a BSC-based system for the Development Strategy monitoring, Vnesheconombank approved the 2012-2015 Strategic Map and KPIs as well as strategic maps and KPIs for 10 individual structural divisions of the Bank.

In 2012 Vnesheconombank monitored and controlled the Development Strategy implementation based on:

• factor analysis of corporate KPIs for the purpose of remunerating the Bank’s employees;

• monitoring and control over the projects and activities envisaged by Vnesheconombank’s Development Strategy and approved for implementation in 2012.

Alongside that, in 2012 Vnesheconombank developed and put in place a software and hardware system intended for monitoring the Development Strategy implementation based on the BSC and a computer-based storage of the Bank’s key financial and non-financial indicators. The system provides Vnesheconombank management with the up-to-date information on the progress in Strategy implementation and is unprecedented for Russian development institutions.

3 The KPIs to be achieved by Vnesheconombank by the end of 2015 are presented in the 2011 VEB Group Sustainability Report. The full version of the 2011-2015 Vnesheconombank’s Development Strategy is available at http://www.veb.ru/about/strat/.
1.4.

Development of the CSR System

The corporate social responsibility (CSR) system is seen by Vnesheconombank as an important prerequisite for performing the functions of a national development institution to secure the social welfare and economic stability. The CSR priorities comprise promoting the sustainability principles in the business environment including Vnesheconombank’s participation in UNGC.

1.4.1.

The CSR Strategy Implementation

The Bank promotes the CSR system based on the CSR Development Strategy for the Period of 2012 to 2015. The Strategy specifies Vnesheconombank’s sustainability position as well as the CSR goals, objectives and priorities for the next 4 years.

The CSR Strategy implementation contributes to the achievement by Vnesheconombank of the strategic goals, i.e. sustainable social and economic development of the Russian Federation and the improvement of the corporate governance system drawing on the best practices of the leading foreign development institutions.

The CSR Strategy is implemented for the purpose of:

- improved efficiency of the Bank’s environmental and social efforts and business ethics;
- enhanced stakeholders’ confidence in Vnesheconombank’s operations;
- increased labour productivity and labour potential of the Bank’s employees.

The CSR Strategy underlies the internal regulations developed and introduced by Vnesheconombank to secure efficient management of its social and environmental activities including development of responsible financing practices started in 2013 and the corporate environmental policy drafted in 2012.

The CSR Strategy provides for the implementation of a wide range of internationally acknowledged initiatives important for Vnesheconombank as a national development institution. These include promoting the sustainability principles in the business community and shaping up high-quality professional environment for investment activities. To support socially important institutions and the disadvantaged people, Vnesheconombank also engages in charity and volunteering projects.
Milestones of CSR Strategy Implementation in 2012-2015

<table>
<thead>
<tr>
<th>The 2012 principal results of the CSR Strategy implementation</th>
<th>Principal actions scheduled under the CSR Strategy implementation for the period up to 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Procedure of Vnesheconombank’s Social and Economic Efficiency Assessment was developed</td>
<td>• Develop and implement the Responsible Financing Practices in 2013-2014</td>
</tr>
<tr>
<td>• The VEB Group employees were trained in responsible financing practices and non-financial reporting</td>
<td>• Develop and implement in 2013-2014 a procedure of environmental and social assessment of investment projects subject to advanced international approaches to responsible financing</td>
</tr>
<tr>
<td>• The scope of Vnesheconombank non-financial reporting was extended to include sustainability of the Group members</td>
<td>• Develop in 2013 the Bank’s stakeholder cooperation policy</td>
</tr>
<tr>
<td>• Recommendations for information accumulation, presentation and verification to compile the VEB Group annual sustainability reports for the VEB Group members were prepared</td>
<td>• Arrange annual international conferences “Investments in Sustainability”</td>
</tr>
<tr>
<td>• International conference “Investment In Sustainability. Cooperation between Financial Institutions and Real Economy” was held</td>
<td>• Effective from 2013 to ensure Vnesheconombank’s chairmanship in the Steering Committee of the UNGC Network Russia</td>
</tr>
<tr>
<td>• A number of events were arranged as part of Vnesheconombank’s involvement in the UNGC Network Russia</td>
<td>• Accede in 2013 to the UN Environment Program Finance Initiative</td>
</tr>
<tr>
<td>• Vnesheconombank’s corporate environmental policy was drafted</td>
<td>• Initiate the arrangement from 2013 of joint volunteer actions involving the VEB Group employees</td>
</tr>
</tbody>
</table>

Implementation of the CSR Strategy priorities such as responsible business and labour practices contributes to strengthening Vnesheconombank’s cooperation with key stakeholders including the Bank employees and business partners. The CSR Strategy also provides for implementation effective from 2014 of an integrated approach to Vnesheconombank’s cooperation with stakeholders.

1.4.2.

Embedding CSR Principles in VEB Group Activities

A crucial aspect of developing the Group-wide management standards is the promotion of the CSR principles among the Group members. Vnesheconombank focuses on the implementation of responsible financing practices and non-financial reporting as the most efficient mechanisms used by financial institutions to manage social and environmental activities.

In 2012 Vnesheconombank adopted a decision to extend the scope of non-financial reporting to include information on the Group members’ contributions to sustainability. The 1st consolidated Sustainability Report was prepared in 2011 giving a strong impetus to the introduction by the Group members of a system designed to keep records of non-financial performance.
In 2012 to improve the practices of non-financial reporting, Vnesheconombank prepared for the VEB Group members recommendations for information collection, presentation and confirmation within the process of compiling VEB Group annual sustainability reports offering the Group members a uniform approach to the disclosure of important sustainability information.

Vnesheconombank’s CSR promotion priorities include the arrangement of thematic training and traineeship involving the representatives of both Vnesheconombank and the Group members. In 2012 Vnesheconombank arranged:

- a seminar on the CSR principles promotion within the VEB Group in the context of the 2011 Sustainability Report preparation which highlighted the preparation of the 1st Sustainability Report consolidating the VEB Group information;
- a seminar on responsible financing practices attended by the representatives of UniCredit, KfW, IFC and ERM Eurasia;
- traineeship with the China Development Bank on responsible financing practices and the role of financial sector in maintaining sustainability.

The VEB Group members independently develop and implement the CSR and internal sustainability regulations. In 2012 the most significant changes in the CSR management system were demonstrated by Roseximbank which prepared a number of regulations intended for the furtherance of the CSR and responsible financing and obligating all employees to follow the CSR principles. These include the Guidelines for Further Implementation of the CSR Principles in the Bank’s Operations and the Guidelines for the Promotion of the CSR and Responsible Financing Practices within the VEB Group as well as Roseximbank LLC Corporate Governance Code.

The preparation by the Group members of individual non-financial reports has not yet become a prevailing practice. The leader in this field is BelVEB, the first and only Group member which began publishing sustainability reports in 2011.

1.4.3.

Implementation of the CSR Principles in Business Community

The United Nations conference on sustainable development “Rio+20: The Future We Want” held in Rio de Janeiro, Brazil, became an international keynote event in 2012. The conference brought together more than 50 thousand participants from every corner of the globe that assembled to affirm their political commitment to sustainability, to debate the issues of “green” economy policies, availability of food, healthcare and education, climate change, scarcity of natural resources and poverty.

The focal point of the conference and the main event of the last 10 years arranged by UNGC was the Corporate Sustainability Forum “Innovations and Collab-
oration for the Future We Want”. The delegation sent by Vnesheconombank⁴ was an active participant in discussions devoted to the CSR principles dissemination among the global companies. The final document could serve as guidance orienting governments towards the sustainability agenda.

Post-Reporting Period Events
In June 2013 Alexander Ivanov, Deputy Chairman of Vnesheconombank — Member of the Management Board, was elected Chairman of the Steering Committee of the UNGC Network Russia becoming the UNGC Network official representative both nationally and internationally.

Being one of the 1st state corporations to publish non-financial reports, in 2012 Vnesheconombank joined the interagency working group under the Russian Ministry of Economic Development tasked with developing the concept of non-financial reporting in the Russian Federation. The concept is designed to increase the Russian entities’ responsibility for the social and environmental impacts of their activities and ensure information openness and transparency.

The conferences held by Vnesheconombank under the keynote theme of “Investment in Sustainability” invariably arouse a live interest of those concerned with the issue of responsibility borne by businesses, governments and society for the sustainable social, economic and environment-friendly development of Russia and the entire world, and of those who are keen to accumulate and share the relevant experience.

In 2012 Vnesheconombank continued the tradition of convening an annual international conference “Investment in Sustainability” aimed at promoting the CSR practices in Russia and opening up a constructive dialogue between the representatives of the Russian and foreign business communities. The conference is annually attended by more than 200 managers and experts from trading companies, development institutions, civil society organizations, public authorities, academic community and professional associations.

The 3rd International Conference “Investments in Sustainable Development. Partnership between Financial Institutions and Real Sector of Economy” was devoted to embedding the social and environmental responsibility principles in investment activities. The conference was arranged in cooperation with the Russian Ministry of Economic Development, the Russian Union of Industrialists and Entrepreneurs, the UN Environment Programme Finance Initiative (UNEP FI) and the UNGC Network Russia.

⁴ Vnesheconombank acceded to the UNGC in 2011.
The conference focused on discussing the interaction experience of the Russian financial institutions and real economy in securing sustainability. Approaches to social and environmental risk management in the course of investment decision-making and investment project implementation were also given due consideration. The conference adopted a final memorandum containing recommendations for the Russian financial institutions and real economy that are related to the CSR practices development.

### Development Award for the Contribution to Russia’s Social and Economic Development

During the 16th Saint Petersburg International Economic Forum held in 2012 Vnesheconombank announced the institution of the annual national Development Award to boost investment activities and create an attractive and favourable investment climate in Russia. The achievement of social and economic objectives relating to modernization of the Russian economy and the country’s sustainable social and economic development is the strategic goal of the contest.

The award is given for accomplishments in implementing investment programs and projects of national importance. Over 220 investment projects were selected for the following 2013 Development Award nominations:

- the infrastructure project of the year;
- the industrial project of the year;
- the integrated territorial development project of the year;
- the SME project of the year.

### Post-Reporting Period Events

The 2013 Development Award winners were approved by the Supervisory Board of Vnesheconombank. The social, economic and environmental impacts of investment projects selected for the contest were the main evaluation criteria.

The winners received the Development Award during the 17th Saint Petersburg International Economic Forum in June 2013 from Head of the Russian President’s Administration Sergei Ivanov and Chairman of Vnesheconombank Vladimir Dmitriev.
2. Investment in Sustainability

2.1. Management of Social and Environmental Impacts of Investment Activities

Investment activities of Vnesheconombank are distinctly socially-oriented and contribute to improved living standards and environment protection. The investment projects approved by Vnesheconombank from 2007 to 2012 have already created or are intended to create over 155 thousand new jobs, with their expected budgetary effect being RUB 1.7 tn

2.1.1. Expansion of Vnesheconombank’s Investment Activities

A primary function of Vnesheconombank as a national development bank is financing investment projects contributing to Russia’s sustainable social and economic development. Vnesheconombank participates in major projects including those of national importance, the financing of which due to long payback periods, complexity and capital intensity does not make much commercial sense for commercial financial institutions.

The criteria applied by Vnesheconombank to identify projects of national importance include compliance with the priorities of economic development of the Russian Federation and Russian constituent entities, PPP-based implementation, development of infrastructure facilities intended for supporting SEZ in the Russian Federation.

As at 01.01.2013, the loan portfolio of the Bank for Development amounted to RUB 720 bn significantly exceeding the target set by Vnesheconombank’s Development Strategy under which the portfolio was supposed to total RUB 531 bn by 2013 year end and RUB 850 bn by 2015 year end.
In 2012 to more efficiently perform its functions of a development bank, Vnesheconombank amended the Memorandum on Financial Policies to expand the scope of the Bank’s operations and diversify its loan portfolio. The amendments relate to the list of industry priorities and primary lines of the Bank’s investment and lending activities as well as to quantitative restrictions imposed on investment projects.

In 2012 the Bank’s governing bodies approved 54 projects including investment and export support ones. The projects will generate over 40 thousand jobs, with the expected budgetary effect — RUB 739 bn

**Structure of investment and export support projects approved by Vnesheconombank in 2012 by primary line of investment as of January 1, 2013**

- Enhancing efficient use of natural resources: 17.8%
- Infrastructure development: 24.2%
- Exports support: 9.5%
- Priority national projects and projects implemented under the Federal Targeted Program: 35.6%
- Innovative development: 3.7%
- Olympic facilities: 9.2%

**Regional structure of investment and export support projects approved by Vnesheconombank in 2012 by Russian Federal Districts as of January 1, 2013**

- Siberian Federal District: 35.3%
- Volga Federal District: 27%
- Central Federal District: 16.8%
- Southern Federal District: 9.4%
- Ural Federal District: 4.8%
- Interregional projects: 1.8%
- Northwestern Federal District: 1.1%
- North Caucasian Federal District: 0.6%
2.1.2.

Investment Decision-Making Mechanisms

Vnesheconombank approves the funding of investment projects\(^5\) based on expert evaluation including a preliminary and a comprehensive evaluation. Alongside that, some projects are subject to an independent expert evaluation. The expertise concerns projects approved by the Supervisory Board of Vnesheconombank and projects providing for real estate or industrial development (as regards energy efficiency and resource saving).

### Principles of Selecting Projects Qualifying for Financing by Vnesheconombank

<table>
<thead>
<tr>
<th>Compliance with primary lines and industry priorities of Vnesheconombank’s investment activities</th>
<th>The primary lines and industry priorities of Vnesheconombank’s investment activities are specified in the Memorandum on Financial Policies. The primary lines of investment activities include infrastructure development, enhancing efficient use of natural resources, innovative development, exports support, etc.</th>
</tr>
</thead>
</table>
| A positive economic effect of Vnesheconombank’s involvement in investment project implementation | Criteria applied to determine a project’s compliance with the principle of a positive impact on the country’s economy and society are as follows:  
- Vnesheconombank involvement in the project implementation does not result in competition with commercial financial institutions;  
- the project meets the selected macroeconomic and budgetary criteria |
| Investment project’s quality | Criteria applied to determine project compliance with the principle of high quality are as follows:  
- low/medium reputational risks for Vnesheconombank;  
- investment attractiveness;  
- compliance with environmental requirements and standards applicable to the project implementation;  
- appropriate project preparation |

\(^5\) A detailed description of the Bank’s investment decision-making mechanism is given in the 2011 VEB Group Sustainability Report.
Post-Reporting Period Events
In 2013 Vnesheconombank approved the Responsible Financing Policies specifying primary objectives, principles and lines of Vnesheconombank’s activities aimed at securing sustainable social, economic and environment-friendly development of the Russian Federation through embedding responsible financing practices in its lending and investment activities. Furthermore, in July 2013 Vnesheconombank was the first Russian entity to accede to the UNEP FI, a major global responsible financing initiative.

Evaluation and Administering Investment Projects with VEB Engineering Participation

Vnesheconombank’s key partner in expert evaluation and administering of investment projects is the Bank’s specialized subsidiary VEB Engineering.

In 2012 VEB Engineering performed an independent expert evaluation of the Bank’s 12 investment projects including environmental impacts assessment based on the applicable Russian legal requirements. During the year VEB Engineering was also engaged in auditing, monitoring, developing business concepts and proposals for a number of Vnesheconombank’s investment projects.

In the long run, VEB Engineering intends to expand the range of provided engineering and consulting services including environmental issues, energy saving and energy efficiency, occupational health and safety.

In 2012 to secure quality improvement of engineering and consulting services, VEB Engineering carried out the certification of the quality management system in accordance with GOST R ISO 9001:2008 (National State Standards).
2.1.3.

Monitoring of Investment Projects’ Efficiency and Assessment of Social and Economic Impacts of Vnesheconombank’s Activities

In 2012 Vnesheconombank approved the Regulations for Monitoring and Administering Investment Projects implemented with Vnesheconombank’s engagement. The Regulations provide for monitoring of the investment projects efficiency including economic, budgetary, social and environmental effects.

In 2012 acting as a development bank, in order to upgrade investment activities, Vnesheconombank launched the integrated automation of investment project monitoring and administering based on the Investment Project Planning, Analysis and Monitoring System.

Additionally, in 2012 Vnesheconombank prepared and approved the Guidelines for Evaluating the Social and Economic Impacts of Vnesheconombank’s Activities. The Guidelines stipulate evaluation of Vnesheconombank’s lending and investment operations relating to investment project delivery, support for exports of industrial and agricultural products and services, as well as SME support through the SME Bank. The Guidelines will lay foundations for an integrated assessment of Vnesheconombank’s operations and its contribution to Russia’s economic sustainable development.

Awards Received by Vnesheconombank in 2012 for Project Finance Arrangement

Two projects co-financed by Vnesheconombank were presented with the Deal of the Year 2012 Award by Trade Finance namely:

- a state-of-the-art pig-breeding complex in Voronezh Region designed to produce annually 42 thousand in live weight constructed by APC AGROECO LLC;

- a highly productive cattle-breeding complex and a preprocessing slaughterhouse in Bryansk Region constructed by the Bryansk Meat Company.

Based on a high innovative level and the social impact, the International Finance Corporation (IFC) and the Infrastructure Journal named the Pulkovo Airport reconstruction project one of the best PPP projects co-financed by Vnesheconombank ranking 2nd (silver award) in the category “Europe, Central Asia, Middle East and North Africa”.
Indicators of Vnesheconombank’s Social and Economic Performance

<table>
<thead>
<tr>
<th><strong>The economic performance indicators</strong></th>
<th>describe Vnesheconombank’s contribution to the acceleration of the social and economic development of the Russian Federation, Russian regions and industries:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• National/regional economic efficiency</td>
<td></td>
</tr>
<tr>
<td>• Vnesheconombank’s share in GDP</td>
<td></td>
</tr>
<tr>
<td>• Vnesheconombank’s share in GRP</td>
<td></td>
</tr>
<tr>
<td>• Vnesheconombank contribution to the growth of exports of industrial and agricultural products and services</td>
<td></td>
</tr>
<tr>
<td>• Vnesheconombank contribution to SME development</td>
<td></td>
</tr>
<tr>
<td>• Vnesheconombank contribution to innovative development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>The budgetary efficiency indicators</strong></th>
<th>describe the ratio of the accumulated budgetary effect to Vnesheconombank’s accumulated investments</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>The social performance indicators</strong></th>
<th>describe Vnesheconombank’s contribution to increasing the level of employment, the quality of life, improving the working conditions and other social indicators:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vnesheconombank contribution to job creation</td>
<td></td>
</tr>
<tr>
<td>• Vnesheconombank contribution to personal income</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>The environmental impact indicators</strong></th>
<th>describe Vnesheconombank’s contribution to enhancing efficient use of natural resources, environmental protection and improving the environmental situation</th>
</tr>
</thead>
</table>
2.2.

Integrated Territorial Development

In 2012 Vnesheconombank’s Memorandum on Financial Policies was amended to add investment projects designed for development of territorial clusters and single-industry municipalities to the Bank’s primary business lines. The amendments also provide for reducing the investment threshold for projects delivered in single-industry towns from RUB 2 bn to RUB 1 bn thus resulting in enhanced opportunities for financing economy modernization projects and creating new regional centres of economic growth.

2.2.1.

Vnesheconombank’s Regional Policies

Vnesheconombank’s regional policies are aimed at fostering sustainable integrated territorial development. In 2012 Vnesheconombank was working to form a portfolio of potentially worthwhile investment projects in Russian regions including single-industry towns, foster cooperation with local authorities of the Russian constituent entities, improve the regional investment climate, optimize the mechanisms of Vnesheconombank’s subsidiaries’ engagement in regional territorial development.

Vnesheconombank’s representative offices are instrumental in implementing the Bank’s regional policies in the Russian Federation. They are actively engaged in the search for and preliminary selection of regional investment projects qualifying for financing by Vnesheconombank and the Group members.

In 2012 to capture the needs of the regions in lending and financial products and services, Vnesheconombank launched the development of the following databases:

- priority investment projects of Russian constituent entities meeting the requirements imposed by the Memorandum on Financial Policies;
• industrial sites in Russian single-industry towns;
• investment projects worth RUB 1-2 bn to be implemented in single-industry towns.

On the outcome of the analysis the Bank compiled a list of promising investment projects subject to expert evaluation in accordance with Vnesheconombank's requirements in the context of the Bank's potential involvement in the projects and a pipeline of projects eligible for funding by the VEB Group members.

Implementation of Vnesheconombank’s Regional Policy in 2012 and Plans for 2013

<table>
<thead>
<tr>
<th>Arrangement of project bids pipeline</th>
<th>In 2012 Vnesheconombank’s representative offices submitted 30 project descriptions; another 153 project bids were submitted to the Group’s subsidiaries for further review. As of 2012 year end Vnesheconombank’s representative offices reviewed 175 potential investment projects.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation agreements with RF constituent entities</td>
<td>In 2012 Vnesheconombank entered into cooperation agreements with 5 Russian regions: the Pskov, Tula, Tyumen and Kemerovo Regions and Primorski Krai. As of January 1, 2013 56 RF constituent entities executed cooperation agreements with Vnesheconombank. Five of such agreements provide for the implementation of particular investment projects.</td>
</tr>
<tr>
<td>Representation on advisory bodies</td>
<td>In 2012 the employees of the Bank and its representative offices were represented on 72 advisory bodies on investment activities formed by the federal, RF constituent entities and local authorities.</td>
</tr>
</tbody>
</table>
Integrated Territorial Development Applying the Full Range of VEB Group’s Banking Products and Instruments

A new integrated program-based approach to territorial development implemented by Vnesheconombank since 2011 concerns the whole range of the VEB Group’s banking products and instruments.

Kaluga Region was selected as a pilot project under the Plan of Joint Actions of the VEB Group and the Government of Kaluga Region for the Integrated Territorial Development of Kaluga Region signed in 2011. The plan provides for development of cooperation in lending and investment activities, public-private partnership, support for SMEs.

In 2012 Vnesheconombank signed the Plan of Joint Actions of the VEB Group and the Administration of Kemerovo Region for the Integrated Territorial Development of Kemerovo Region for the Period from 2012 to 2015. The Plan includes scrutinizing of 16 investment projects with the total value of about RUB 139.7 bn and a possible commitment of Vnesheconombank and its subsidiaries of about RUB 90.8 bn.

In 2013-2014 Vnesheconombank intends to develop joint action plans for the integrated territorial development with 5 Russian constituent entities: Republic of Chechnya, Primorsk Territory, Astrakhan, Nizhny Novgorod and Tyumen Regions.

Implementation of the Joint Action Plan of the VEB Group and the Administration of Kaluga Region

In 2012, to monitor implementation of the Plan for the Kaluga Region Integrated Development, Vnesheconombank formed a working group comprising the representatives of EXIAR, the Agency for Strategic Initiatives on New Project Promotion, RDIF, Svyaz-Bank, SME Bank, VEB Capital and VEB Engineering.

The working group underscored the efficiency of the pilot project implementation and proposed further steps to develop cooperation between the VEB Group and the Government of Kaluga Region. The project also envisages scrutinizing by Vnesheconombank of a project proposal to finance 2 industrial parks and establishing by the Government of Kaluga Region and VEB Capital of the Support Fund for the Region’s enterprises experiencing financial predicaments.
2.2.3.

Modernization of Single-industry Towns

The 2008-2010 financial crisis aggravated the problems of Russian single-industry towns requiring state engagement. In this context, at 2009 year end the Government of the Russian Federation initiated a state anti-crisis program aimed at diversification of the single-industry towns’ economy and creating new jobs.


Monitoring of integrated investment plans (IIP) implemented in 49 single-industry towns supported by the Government revealed that during the period from 31 December 2010 to 1 October 2012:

- about 69 thousand permanent jobs and 200 thousand temporary jobs were created;
- average unemployment rate reduced from 2.6% to 1.6%;
- share of those employed by core enterprises in the total able-bodied population reduced by 1% to 15.4%;
- share of those employed by SMEs in the total able-bodied population increased by 1.6% to 16.6%.

In 2010-2011 the Government allocated over RUB 24 bn to 49 single-industry towns including RUB 17 bn earmarked for development of infrastructure facilities required for investment projects, thus enabling the launch of 226 investment projects worth over RUB 400 bn. Therefore, every Ruble allocated by the Government to develop the investment infrastructure attracted additional investments of 25 Rubles to the single-industry towns’ economy.

In 2012 the Working Group for Single-industry Towns Modernization under the Government Commission for Economic Development and Integration prepared a list of single-industry towns featuring a high risk of the production decrease and the resulting growth of unemployment. The list comprised 68 single-industry towns, with 9 towns eligible for state support. According to preliminary estimates, the amount of the required infrastructure investments totals RUB 5.7 bn including RUB 4 bn to be allocated out of the federal budget.
Vnesheconombank is directly involved in funding of the investment projects delivered in single-industry towns and supported by the Government. As of 2012 year end the portfolio of potentially worthwhile investment projects implemented and scheduled for implementation in single-industry towns with participation of Vnesheconombank included 51 investment projects for RUB 607.5 bn, with expected Vnesheconombank’s commitment of RUB 370.2 bn.

Notably, Vnesheconombank reached the targets set in the Stimulus Package Encouraging Economic Development of Single-industry Towns in 2011 and 2012 approved by the Government of the Russian Federation as regards the formation by 2012 year end of a portfolio comprising 50 investment projects to be implemented in single-industry towns.

Vnesheconombank’s Portfolio of Potentially Worthwhile Investment Projects for Single-industry Towns

Vnesheconombank’s portfolio of investment projects to be implemented in single-industry towns contains 51 projects aimed at the financial recovery and upgrading of city-forming enterprises and the diversification of the single-industry towns’ economy. The projects implementation is expected to create more than 11 thousand new jobs and help maintain over 33 thousand of existing jobs.

Vnesheconombank has implemented or is in the process of implementation of single-industry town projects, their total value being RUB 227.8 bn including Vnesheconombank’s commitment of RUB 158.8 bn.

Vnesheconombank reviewed and performed various stages of expert evaluation of 31 single-industry town projects, their total value being RUB 379.9 bn including Vnesheconombank’s commitment of RUB 211.4 bn.

Post-Reporting Period Events

In February 2013 the Government of the Russian Federation approved the Stimulus Package Encouraging Sustainable Development of Single-industry Towns for the Period of 2013-2018. Vnesheconombank was delegated new tasks of developing and implementing the mechanisms of supporting the economy of single-industry towns and attracting investors to newly-formed industrial sites.
2.2.4. Development of North Caucasian Federal District

A primary objective formulated by the Strategy of Social and Economic Development of the North Caucasian Federal District until 2025 is the encouragement of investment activities in the region. The relating operations are coordinated by the North Caucasus Development Corporation (NCDC) established in 2010 as a joint-stock company wholly owned by Vnesheconombank to improve the social and economic situation, attract investments and create new jobs in the region.

NCDC seeks to exploit the natural advantages of the North Caucasus in tourist industry, agro-industrial, mining and manufacturing industries presently underdeveloped due to, among other things, inadequate access to off-budgetary financing and the lack of appropriate investment projects.

NCDC works along the following 2 lines:

- investment activities supporting strategically important and viable projects in the region;
- advisory support aimed at attraction of additional private investments and state support, development of industrial parks and promotion of territorial clusters, generation of model projects for future-oriented industries (including standard business plans and their dissemination), improvement of the region’s image, etc.

In 2012 NCDC continued to generate the investment portfolio which increased during the year from RUB 94 mn to RUB 2 bn. To finance NCDC’s involvement in the regional investment projects in 2012 Vnesheconombank increased the corporation’s authorized capital from RUB 0.5 bn to RUB 3.6 bn.

**The NCDC’s Strategy 2011-2015 stipulates the formation within 3 years of an investment portfolio of 30 to 40 projects totaling RUB 12-15 bn**

As of 2012 year end NCDC took a decision to finance 7 investment projects worth RUB 28.3 bn implying the NCDC’s commitment of RUB 5.1 bn in the form of equity investment in the capital of operator companies. The projects are expected to create over 1.8 thousand jobs and 5.8 thousand jobs in the related industries, with the expected annual increase in tax receipts approximating to RUB 1.8 bn.

**Underlying NCDC’s activities are clear and transparent decision-making principles and project selection criteria. Evaluation and monitoring of projects co-implemented by NCDC are regulated by the NCDC’s investment policies. The policies are based on the ISO 26000:2010 standard “Guidelines on Social Responsibility” as regards the projects’ social and economic impacts**

As part of its consulting activities, NCDC conducted a preliminary scrutiny of 13 projects eligible for consulting in respect of state support options. In 2012 two of the projects worth RUB 6.5 bn obtained state guaran-
tee support of RUB 3.5 bn. The projects will result in more than 500 jobs and generate annual tax receipts of RUB 369 mn.

In 2012 NCDC contributed to development of the Integrated Information System designed for monitoring investment activities in the North Caucasian Federal District. The system will provide Russian authorities with up-to-date and prompt information on the progress of investment projects, coordination among local authorities, investors and other investment entities and ensure information support for potential investors. Alongside that, NCDC participated in elaborating the Integrated Development Concept for the Caucasian Mineral Waters Region for the period of up to 2025.

### North Caucasus Mountain Club Project

**Project initiator:** NCDC  
**Total project value:** RUB 210 mn  
**NCDC commitment:** RUB 210 mn

The North Caucasus Mountain Club project is intended for development of adventure and eco-tourism in the North Caucasian Federal District. The project provides for constructing an integrated tourist infrastructure in the North Caucasus.

A key element of the project is launching of a tour along the Greater Caucasus Mountain Range named “Alan Trail: from Elbrus to Kazbek”. The tour required rehabilitation of a number of upland roads and arrangement of recreation facilities and overnight lodgings in highland villages and tent camps. The tour campaign will be launched in 2013.

Besides, a complex of highland module shelters is created on the southern shoulder of Elbrus based on the eco-friendly mountain huts produced by LEAP (Italy). The huts have a good record in Europe and North America, require minimum service and are actually self-sufficient due to the solar assisted power supply and the use of energy-efficient technologies, materials and equipment.

The project will improve the region’s image as a country’s major tourist resort area and is expected to create about 200 jobs. The projected annual tax receipts will approximate to RUB 9 mn.
Far East and Baikal Region Development

Supporting the priority development of the Far East and the Baikal region (hereinafter referred to as the macroregion) is Vnesheconombank’s major business line. Its urgency is motivated by the strategic importance of the macroregion and the numerous infrastructure constraints impeding its investment attractiveness.

In November 2011, to encourage investment activities in the macroregion, Vnesheconombank established the Far East and Baikal Region Development Fund. The Fund is wholly-owned by the Bank. Its major investment business lines and performance indicators are specified in the Fund’s Memorandum on Investment Policies.

The Fund fosters integrated investment activities through supporting infrastructure and industrial projects in the Far East and the Baikal region. The Fund’s investment priorities include modernization and new construction of the transport, energy, engineering, tourist, recreational and social infrastructure including housing, education, healthcare, culture and sports facilities, public and local administration facilities, as well as economic cooperation and integration projects between Russia and Asia-Pacific countries.

In December 2012 the Ministry of Finance of the Russian Federation granted to Vnesheconombank a subsidy of RUB 15 bn to support an additional share issue of the Far East and Baikal Region Development Fund. The funds will be used to finance priority investment projects designed to develop the industrial, transport and energy infrastructure in the macroregion.

In 2012 the Fund made up a portfolio of potentially worthwhile investment projects, specified the priority business lines, and determined the principles and methods of the Fund's investment efforts. The Fund also prepared and submitted to the Government of the Russian Federation its proposals for improving the PPP regulatory framework.
2.3.

Innovative Development Projects

Vnesheconombank has a leading role to play in devising by development institutions of a comprehensive and well-balanced system of innovation project support, which could be viewed as an overriding condition for implementing the Strategy for Innovative Development of the Russian Federation for the Period of 2020. An integrated use by development institutions of the available financial and non-financial instruments encourages the promotion of promising investment projects at all stages of the investment cycle.

2.3.1.

Innovative Project Support Mechanisms

Developing the financial infrastructure for innovation support in Russia is a priority line of Vnesheconombank’s endeavors. Vnesheconombank’s Development Strategy 2011-2015 stipulates targeted financing of high-technology and innovative projects and an increased share of such projects in the loan portfolio as well as enhanced cooperation with other development institutions in innovative project support.

In 2010, to coordinate the innovative project monitoring and implementation by development institutions, Vnesheconombank initiated a multilateral Agreement on Interaction among Development Institutions and Stakeholders in Ensuring Continuous Financing of Innovative Projects throughout the Innovation Cycle. The Agreement participants, apart from Vnesheconombank, include SME Bank, Russian Venture Company (RVC), ROSNANO, the Skolkovo Foundation, the Fund for Assistance in Development of Small Forms of Enterprises in Science and Technology, the All-Russian Public Organization of Small and Medium Businesses “OPORA Rossii”, the Russian Fund for Technology Development, etc.

The parties to the Agreement explore and determine the needs of innovative companies and their access to instruments and services required for efficient business operations in Russia and on the global market. Pursuant to the Agreement, the parties continuously exchange information on innovative projects enabling, when necessary, their further implementation by appropriate parties to the Agreement.
Under the multilateral Agreement, the mechanisms of innovative project support were developed applying available investment vehicles. Support was given to more than 170 projects.

The day-to-day activities of the parties are coordinated by a standing working group set up by Vnesheconombank. In 2012 the working group discussed a number of issues including those relating to developing information and communication services for the innovative market participants, facilitating access to the development institutions’ resources, primarily for SMEs engaged in industrial production and innovations, as well as in implementing the program of promoting innovative and inventive activities in 2012-2013.

In November 2012 the Register of Innovative Products, Technologies and Services Recommended for Use in the Russian Federation was operationally tested. The Bank acted as a co-developer of the Register. The Register was created on the instruction of the Government of the Russian Federation to increase the output of innovative products and services. At the time of launching it comprised 110 innovative products including 8 products developed by companies that qualified for Vnesheconombank’s support. The Register is published at www.innoprod.startbase.ru.

As at 01.01.2013, Vnesheconombank extended credit facilities to finance 50 innovative projects totalling RUB 869.4 bn including Vnesheconombank’s commitment of RUB 534.0 bn.

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**Moscow International Open Innovations Forum**

The first Moscow International Forum for Innovative Development “Open Innovations” held on 31 October to 3 November 2012 was organized by the leading Russian development institutions including Vnesheconombank as well as the Government of Moscow.

The Forum presents a global platform for discussing leading-edge technologies and prospects of international cooperation in the field of innovations. Its major goal is strengthening international cooperation to form a club of innovative leaders.

The Forum was attended by more than 5 thousand representatives of business, public and academic community from 42 Russian regions and 38 countries of the world. The Forum included the Open Innovations Expo exhibition displaying over 1000 innovative products and technologies from 17 countries. During the Forum and the Open Innovations Expo Vnesheconombank arranged consultations on the Bank’s potential participation in procuring and delivering of investment projects.

Managers of major innovative companies and high-technology market analysts polled by the Centre for Regional Problems Study ranked the Open Innovations Forum 2nd among the 2012 innovative events. The Forum is expected to be held annually. The 2nd Open Innovations Forum is scheduled for 31 October to 2 November 2013.
As at 01.01.2013, the share of innovative projects accounted for 33.7% of the Bank’s loan portfolio. In 2012 the Bank’s Governing Bodies approved participation in 15 innovative projects with the total project value of RUB 235.3 bn including Vnesheconombank’s commitment of RUB 100.3 bn

### Development of Express-AM7 Space Vehicle

- **Total project value:** RUB 8.3 bn
- **Vnesheconombank’s commitment:** Euro 124.6 mn
- **Borrower:** Federal State Unitary Enterprise “Space Communications”

The project’s objective is to create the Express-AM7 space vehicle to be launched for the purpose of developing the Russian orbital group of the national broadcasting and communication satellites. The project is included in the Federal Space Program of Russia for the Period from 2006 to 2015 and the Federal Target Program “Development of Television and Radio Broadcasting in the Russian Federation from 2006 to 2015”. The project implementation covers a period of 18 years.

The Express-AM7 launching will increase the satellite capacity to provide the population of Russian regions with state-of-the-art communications and will ensure intensive development of new infocomm technologies.

The expected aggregate direct budgetary effect of the project amounts to RUB 2.5 bn. Additionally, the project will create new jobs including those for highly skilled specialists.
2.3.2.

Support for Skolkovo Foundation Projects

Vnesheconombank is actively involved in creation of the Skolkovo Innovation Centre that is unique for Russia. The Centre will focus on introducing new technologies and competitive world-class developments in the Russian economy. Vnesheconombank is a co-founder of the Skolkovo Foundation responsible for the centre creation and rendering financial assistance to the Skolkovo Foundation’s innovative projects through its wholly owned subsidiary - the VEB-Innovations Fund.

The objective of the VEB-Innovations Fund is to finance the Skolkovo Foundation’s innovative projects at the R&D and commercialization stages. The Fund is also responsible for developing innovative programs of the Russian Government, developing innovation infrastructure, attracting to Russia advanced foreign technologies and promoting Russian innovations in the global market.

In addition to its core investment activities, the VEB-Innovations Fund is promoting development of infrastructure for the Russian innovations market. In 2012 in cooperation with the High School of Economics, the Fund established the Club of Directors for Science and Innovations. The Club became a professional forum for representatives of 60 major Russian companies actively engaged in the innovative processes.
Areas of Support for Skolkovo Foundation Projects

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<tr>
<th>Energy-efficient technologies</th>
<th>Information technologies</th>
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<tbody>
<tr>
<td>Nuclear technologies</td>
<td>VEB-Innovations Fund renders project support to all the 5 Skolkovo Foundation clusters</td>
</tr>
<tr>
<td>Biomedical technologies</td>
<td>Space technologies and telecommunications</td>
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As at 01.01.2013, the VEB-Innovations Fund approved the funding of 9 projects proposed by Skolkovo residents with the total value of RUB 259 mn. In 2013 the Fund plans to allocate about RUB 300 mn to support the Skolkovo Foundation’s innovative projects

2.3.3.

Cooperation with the Agency for Strategic Initiatives

Vnesheconombank puts a particular emphasis on the interaction with the Agency for Strategic Initiatives (ASI) created in 2011 by the Government of the Russian Federation to improve the investment climate and enable young leaders to self-realize. ASI works along the following 3 main lines:

- new businesses — supporting young talented businessmen;
- young professionals — fostering the country’s professional and HR development;
- social projects — promoting socially important initiatives.

Vnesheconombank provides ASI with investment consulting and participates in raising funds for the agency’s projects. Alongside that, Vnesheconombank performs an express-analysis of the ASI projects and
initiatives along the “Young Professionals” and “Social Projects” lines. On the outcome of the analysis, Vnesheconombank’s Chairman is offered recommendations on the voting options at the ASI Supervisory Board meetings.

In 2012 amendments were made to the Guidelines for Expert Evaluation of Vnesheconombank’s Investment Projects. That concerns the projects supported by the ASI and introducing a simplified evaluation procedure that will include solely a comprehensive expert evaluation.

In 2012 ASI submitted to Vnesheconombank 7 investment projects worth totally RUB 15.5 bn. As of the year end, the projects were scrutinized by various investment departments of Vnesheconombank. Within the framework of investment consulting, Vnesheconombank scrutinized 12 ASI projects, with 11 projects returned for revision. Investment consulting services procured under the project on implementing innovative technologies of leak stoppage for pressure were completed in 2012.
2.4.

Nature Conservation and Energy Projects

Vnesheconombank’s engagement in nature conservation and energy projects is directly compliant to the State Policies of Environmental Development of the Russian Federation for the Period of up to 2030 adopted in 2012 and aimed, inter alia, at the environment-oriented economy growth and environment-friendly innovative technologies.

2.4.1.

Vnesheconombank’s Environmental Projects

Vnesheconombank carries out investment activities strictly observing the principle of environmental responsibility according to which the Bank would not participate in any projects failing to meet nature conservation requirements and environmental standards. The Bank’s investment priorities include nature conservation, environment improvement and energy efficiency projects.

As at 01.01.2013, Vnesheconombank participated in 24 nature conservation and environment protection projects with the total value of RUB 440.0 bn and Vnesheconombank’s commitment — RUB 312.4 bn, and in 27 energy projects worth totally RUB 538.7 bn including RUB 296.3 bn invested by Vnesheconombank.

As at 01.01.2013, the share of nature conservation and environment protection projects in the Bank’s loan portfolio reached 19.6% exceeding 13.3% recorded as of the end of the previous year. The share of energy projects remained unchanged showing 18.9%.

In 2012 Vnesheconombank’s governing bodies approved engagement in 8 nature conservation and environment protection projects with the total value of RUB 238.9 bn and Vnesheconombank’s commitment — RUB 199.1 bn, and 7 energy projects with the total value of RUB 239.9 bn including Vnesheconombank’s commitment of RUB 106.4 bn.
**Dried Lumber Mill in Amursk, Khabarovsk Territory**

Total project value: USD 120.2 mn  
Vnesheconombank's commitment: USD 84.2 mn  
Project initiator: OJSC Dallesprom

The project provides for the construction of a dried lumber mill with a total annual output of 230 thousand cu m and the upgrading of the existing chipboard production to increase the annual output to 50 thousand cu m. Actually, 100% of the output is expected to be exported to Asia-Pacific countries.

The project relates to Stage II of the Concept of the Integrated Timber Processing Cluster — the Far Eastern Advanced Timber Processing Centre. The Concept envisages development of a complex of complementary timber processing enterprises using a non-waste technology for the timber supplied by Dallesprom. The complex operations will be based on the principles of self-sufficiency, integrated timber utilization, non-waste production combining high economic efficiency with the forest conservation tasks and global environmental standards.

The project is expected to create 330 new jobs, the direct budgetary effect will amount to RUB 920.0 mn.

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**Overhaul of Nizhneturinskaya State-Owned District Power Station in Nizhnyaya Tura, Sverdlovsk Region**

Total project value: RUB 21.7 bn  
Vnesheconombank’s commitment: RUB 15.5 bn  
Project initiator: CJSC Integrated Power Systems

The project’s objective is the construction of 2 state-of-the-art combined-cycle gas and steam turbine-plants with the total installed electric capacity of 460 MW and the installed thermal capacity of 515 gigacalories. The project implementation period is 15 years including 3 years of the investment stage.

The project provides for the installation of advanced power equipment based on the supercharged boiler cycle maximizing the fuel (natural gas) utilization factor resulting in low specific fuel consumption.

The plants under construction are included in the list of generating plants to be employed under the capacity supply agreements approved by the Government of the Russian Federation.

The project is expected to create in Nizhnyaya Tura 60 new jobs, with the direct budgetary effect being RUB 9.7 bn.
BelVEB’s Environmental Projects

When scrutinizing investment projects, BelVEB is guided by the Law of the Republic of Belarus “On Environment Protection” specifying the legal framework underlying environment protection, natural resource management, conservation and regeneration of biological diversity and natural resources.

BelVEB’s credit policies forbid financing of any projects which may cause damage to environment, people’s health and safety. Expert evaluation of project business plans is based on environmental assessment including the analysis of future environmental impact, waste volume, suggested sites of waste disposal and treatment. Construction projects are funded by BelVEB based on the state environmental appraisal provided for by the Law “On Architectural Activities, Urban Planning and Construction in the Republic of Belarus”.

In 2012 BelVEB participated in a number of nature conservation and energy projects. These included the project on building up an export-oriented woodworking enterprise in Lelchitsky District, Gomel Region, stipulating the production of pellets to replace polluting energy sources.

Within the framework of the State Program of Innovative Development of the Republic of Belarus for the Period from 2011 to 2015, BelVEB funded the A420 hybrid bus design by the Management Company of Belkommunmash Holding (Open Joint Stock Company). The city bus prototype made in 2012 demonstrated a ten-fold reduction in exhaust emission and 25% to 50% fuel saving.

BelVEB is also involved in funding the manufacturing by CJSC ATLANT of a new generation of energy-saving household appliances. In 2012 ATLANT continued to manufacture the A and A+ energy efficiency refrigerators and the A++ energy efficiency washing machines and demonstrated a prototype A+++ energy efficient refrigerator.

Prominvestbank’s Alternative Energy Projects

Prominvestbank is actively engaged in implementing Ukraine’s state policies on alternative energy development saving traditional fuel and power resources, enhancing energy efficiency and reducing adverse environmental impacts through the reduction of greenhouse gas emissions.

In 2012 Prominvestbank participated in 3 alternative energy projects including the construction by LLC Wind Park Kerchenski in Kerch District of a wind power station employing the technology and equipment of Fuhrlander (Germany), the world leader in wind power engineering. The 1st stage of the project provides for the deployment of a wind park consisting of 10 wind-driven power plants with the planned capacity of 25 MW and the expected annual power generation of about 80 thousand MWh.

Prominvestbank is also involved in a 44.6 MW solar power plant construction in Odessa Region for the purpose of helioenergetics development provided for by Ukraine’s Energy Strategy for the period of up to
2030. The project is implemented by LLC Limanskaya Energy and is included in the list of strategic priority investment activities relating to new and renewable energy sources approved by the Supreme Rada of Ukraine for the period from 2003 to 2013.

Prominvestbank solar energy initiatives also include the “Active Solar” investment project guaranteeing payments for equipment for 5 solar power plants with the total capacity of 110 MW in the Autonomous Republic of Crimea to be supplied by the China National Corporation for Export and Import of construction materials.

### Future Development of Baikal Pulp-and-Paper Mill

In 2012 Vnesheconombank established VEB Engineering to perform a feasibility study of the future development of OJSC Baikal Pulp-and-Paper Mill (BPPM). The feasibility study was initiated by Igor Shuvalov, First Deputy Chairman of the Government of the Russian Federation, under the Action Plan intended to stabilize the situation at BPPM.

The urgency of the feasibility study is attributable to:

- stressful environmental situation resulting from the cumulative environmental damage (the volume of accumulated industrial waste around the mill being 6.2 mn t) and the incompatibility of BPPM production with the environmental safety of Baikal;
- social pressures at the mill and in the single-industry town of Baikalsk caused by the mill’s future uncertainty.

The feasibility study included 2 baseline scenarios of BPPM future development: the mill modernization or shutdown followed by the creation of a SEZ.

The analysis of technical, economic, social and environmental factors performed by VEB Engineering showed that it was necessary to close down the mill and eliminate the cumulative environmental damage. The feasibility study results were submitted to the Government of the Russian Federation which adopted a decision on the mill’s closure. Essentially, the scenarios were analyzed based on environmental criteria given a special status of the local area and social criteria as the mill was a backbone enterprise.

By now an action plan has been prepared for the mill shutdown including:

- elimination of the cumulative environmental damage;
- renovation of utilities, water supply, water disposal and heat supply systems following the mill’s shutdown;
- solving the social problems faced by the mill employees and the people living in Baikalsk;
- development of the BPPM industrial site and Slyudyansky District.

In 2012 Vnesheconombank's governing bodies approved financing of the stabilization project. BPPM shutdown and the creation of a SEZ will provide for the environmental safety of Baikal and the adjacent territory as well as mitigate the social pressures, primarily through the development of tourism and the relating industries, as well as SMEs.
2.5. Export Support Projects

Vneshekonombank’s support for national exports is aimed at enhanced competitiveness of Russian industrial manufacturers under circumstances of intense competition with foreign companies. Promotion of high-technology products, intellectual services and deep-conversion products in the foreign markets is a crucial prerequisite of raising Russia’s competitiveness ensuring economy diversification, overcoming the commodities export dependence, fostering modernization and grappling with the global financial and economic crises.

2.5.1. Vneshekonombank’s Activities on Supporting National Exports

To promote national exports, Vneshekonombank provides financial and guarantee support to Russian exporters and foreign importers of the Russian non-resource based and high-technology products thus contributing to the mitigation of challenges impeding the development of the national exports, including high interest rates and short tenors of export loans extended by Russian banks as well as the high credit risks of the principal consumers of the Russian export products such as Latin America, the CIS, Africa, etc.

In 2012 the Credit Committee of Vneshekonombank approved the Bank’s engagement in financing export projects in the amount of USD 1,007.74 mn. Vneshekonombank issued 137 guarantees totaling RUB 36.4 bn including 74 guarantees for RUB 34.44 bn to support exports. At present, Vneshekonombank scrutinizes a number of aircraft industry, transport and power engineering projects by Russian exporters with the total value of USD 2.64 bn.

Vneshekonombank is faced with the task of providing integrated support for the Russian high-technology exports involving the Group members. To this end, the Bank in cooperation with EXIAR developed a procedure of financial support by Vneshekonombank and its subsidiaries for exports of Russian high-technology
products. The procedure provides for optimizing cooperation among the Group members and reducing the period of reviewing proposals submitted by foreign customers and Russian exporters.

Post-Reporting Period Events
The procedure of financial support by Vnesheconombank and its subsidiaries for exports of Russian high-technology products was reviewed by the Ministry of Economic Development of the Russian Federation and approved by the Management Board of Vnesheconombank on 13 June 2013

In 2012 Vnesheconombank’s Memorandum on Financial Policies was amended to enable the Bank to finance export projects on delivery of Russian goods, works and services when the terms of a tender arranged by a foreign consumer require that the amount of financing should cover not only the cost of Russian products but also local costs associated with the export project. The amendments were initiated by Vnesheconombank within the framework of its participation in the interagency working group for harmonizing the applicable Russian regulations for state financial support for exports with the OECD standards.

In October 2012 the Supervisory Board of Vnesheconombank took a decision on charging competitive interest rates on financing amounts provided by the state for the Russian hi-tech exports. In this connection and for the purpose of partially subsidizing interest rates on export credits extended to foreign buyers of the Russian products, Vnesheconombank initiated the corresponding changes in the applicable regulations of the Russian Federation.

The proposals of Vnesheconombank were reflected in the Regulations of the Russian Government for Federal Budget Subsidies in the Form of an Asset Contribution of the Russian Federation to State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” to Partially Reimburse the Costs Associated with the Support for High-Technology Products resulting in the transfer to Vnesheconombank of RUB 3 bn in state subsidies in December 2012.

Post-Reporting Period Events
At the meeting held in the Ministry of Economic Development of the Russian Federation in February 2013 a decision was taken to improve the Regulations for Federal Budget Subsidies in the Form of an Asset Contribution of the Russian Federation to State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” to Partially Reimburse the Costs Associated with the Support for High-Technology Products subject to the WTO and OECD requirements to minimize the risk of having the document provisions disputed by the WTO and OECD member countries.
Support for Exports of Sukhoi Superjet 100 Aircraft Family

In 2012 Vnesheconombank’s governing bodies approved the opening of credit facilities to foreign buyers of the Sukhoi Superjet 100 aircraft family with a total drawdown limit of USD 2.5 bn for a term of up to 12 years. The loans are expected to be extended under leasing agreements involving VEB-Leasing and EXIAR insurance.

Vnesheconombank has already approved the opening of credit facilities to:

- a specialized leasing company Air Finance Limited to cover the price of 3 Sukhoi Superjet 100 passenger aircraft to be leased to Lao Central Airlines Public Company (the Lao People's Democratic Republic) with Vnesheconombank's commitment of USD 67.24 mn;
- a specialized leasing company Maple Aviation Leasing GmbH to cover the price of 3 Sukhoi Superjet 100 passenger aircraft to be leased to PT Sky Aviation (the Republic of Indonesia) with Vnesheconombank's commitment of USD 81 mn.

Furthermore, Vnesheconombank and the Ministry of Finance of the Republic of Indonesia concluded a loan agreement under which Vnesheconombank will extend to the Ministry of Finance of the Republic of Indonesia a loan of USD 399.5 mn for a term of up to 7 years. The funds will be allocated to finance the deliveries of Russian aircraft equipment to the Republic of Indonesia within the framework of an export contract between OJSC Rosoboronexport and the Ministry of Defense of the Republic of Indonesia.

Presently Vnesheconombank scrutinizes a USD 435 mn project on financing the purchase by ABC Aerolíneas SA (InterJet), Mexico, of 20 Sukhoi Superjet 100 aircraft produced by Sukhoi Civil Aircraft CJSC.

2.5.2.

Implementation of State Export Support Policies by Roseximbank

Pursuant to the Concept of State Financial/Guarantee Support for Industrial Exports in the Russian Federation, Roseximbank acts as an agent for the Russian Government in rendering state financial support for the Russian exports and is responsible for:

- implementing the state policies of guarantee support for Russian exports aimed at enhanced competitiveness of Russian exporters on traditional emerging markets and the CIS;
- pursuing in line with the programs on cooperation with international financial institutions a uniform state policy of implementing investment projects aimed at supporting industrial exports and modernizing the Russian exporters’ enterprises for the purpose of subsequent manufacturing of high-value-added export products;
- promoting the industrial products of Russian exporters in the markets;
• ensuring access for Russian exporters to long-term resources including pre-export loans at the minimum market rates.

To implement the state policies of supporting the Russian exports, Roseximbank:

• acts as an agent bank for:

  – issuing and executing state guarantees of the Russian Federation for Russian industrial exporters, Russian and foreign banks granting credits to Russian exporters, importers and for non-resident banks and foreign states for the purpose of industrial exports;

  – issuing and executing state guarantees of the Russian Federation to support projects delivered in cooperation with international financial institutions;

  – issues on its own behalf guarantees requested by Russian exporters (tender guarantees, advanced payment guarantees, performance guarantees) both on a commercial and non-commercial basis (those supported by state guarantees);

• acts as an agent for extending medium- and long-term loans for export projects drawing on or involving the federal budget resources;

• raises on favourable terms public and private financial resources including those provided by international financial institutions to finance export operations and investment projects;

• extends loans to exporters.

In the performance of its agency functions, Roseximbank has developed and successfully offers the following products:

• export credits to foreign states, foreign importers of Russian products/services or to non-resident banks providing services to importers;

• investment loans including those extended under the programs of cooperation with international financial institutions;

Volume of Loans Extended by ROSEXIMBANK by Type of Activities as of 01.01.2013

- Manufacturing
- Pulp-and-paper industry, publishing and printing
- Vehicle and equipment manufacturing
- Wholesale and retail trade, vehicle, household equipment and personal articles repair
- Real estate operations, lease and related services
- Agriculture, hunting and rendering of related services
- Other
• pre-export financing of product and service exporters;

• loans to Roseximbank’s strategic customers — participants (or potential participants) in international investment programs co-implemented by Roseximbank and enterprisers granted (or scheduled to be granted) state financial/guarantee support;

• loans (to replenish current assets or perform particular operations) to highly profitable industrial, transport, communications, financial and service sector enterprises, etc.;

• documentary operations.

Roseximbank is a vehicle to implement state policies of supporting and encouraging Russian exports of high value-added products. The geographical reach of Roseximbank customers’ export operations covers both the developed markets such as Sweden, Norway, Finland and the emerging markets such as Angola, Ecuador, Cuba, Bulgaria and the CIS countries.

In 2012, to support Russian industrial exports, Roseximbank arranged issuance of 5 state guarantees for the total amount equivalent to USD 468.6 mn. During the period under review, the Board of Directors of Roseximbank also considered 5 applications for state guarantees totaling USD 1.122 bn and approved the issuance of state guarantees for USD 242.1 mn.

The most significant 2012 Roseximbank’s transaction was a syndicated loan of USD 278.5 mn extended to deliver a project on developing a national communications and broadcasting satellite system in Angola.

Post-Reporting Period Events
In 2013, pursuant to the resolution adopted by the Chairman of the Government of the Russian Federation, Roseximbank was authorized to support the SME exports of goods, works and services.

Delivery of Russian Civil Helicopters to Support UN Peace-Keeping Missions

In 2012 Roseximbank opened a non-revolving credit facility of up to USD 7.0 mn to Attempo 42 AG (Switzerland). The funds were used for the purchase of 2 Russian civil helicopters (Mi8MTV-1 and Mi-8AMT) to be leased to HAWK UNITED TRANSIT CORP providing air services for the UN humanitarian missions. The Russian helicopters will be employed in Sudan and, when necessary, in Congo and Afghanistan by the UN missions for peace-keeping and enforcement of human rights in regions requiring the delivery of humanitarian aid.
Activities of Export Insurance Agency of Russia

Pursuant to the Development Strategy of Export Insurance Agency of Russia for the Period of 2012 to 2014, the EXIAR mission is to assist the state in carrying out foreign economic policies, raise the competitiveness of Russian exporters in the global markets and re-focus the national exports towards innovative industries in the context of Russia’s economy modernization.

The Strategy specifies EXIAR’s 2012-2014 objectives as follows:

- developing an efficient system of insurance support for exports of Russian products and investments abroad involving financial support by Vnesheconombank and the Government along the 2 principal lines:
  - insuring export credits against entrepreneurial/commercial and political risks;
  - insuring Russian investments abroad against political risks;
- formulating proposals for export credits insurance that would facilitate hi-tech exports and enhance the competitiveness of Russian innovative export-oriented industries in the global markets including SME support;
- supporting and promoting the domestic exporters in new high-risk foreign markets and enhancing the transparency of Russian exports and international investments;
- making up a well-balanced portfolio of risks insured by EXIAR subject to the export support priorities to maintain EXIAR financial sustainability;
- introducing and developing in Russia credit insurance practices as an independent industry resulting in the development of a risk-management culture among the Russian exporters.

EXIAR operations are subject to availability of a state guarantee covering obligations assumed by the Agency within the framework of its activities so that the EXIAR insurance contracts were fully secured by state support. In December 2012 EXIAR received a USD 10 bn state guarantee of the Russian Federation for a term of 20 years securing Vnesheconombank’s obligations under the bank guarantee issued to the beneficiaries under EXIAR contracts.

EXIAR aims to become a member of the international insurance and credit system acting in accordance with international practices and standards. In May 2012 EXIAR became a full-fledged member of the Prague Club incorporating export credit and investment insurers thus making the first move towards membership in the International Union of Credit and Investment Insurers (Berne Union) to gain access to global practices of risk assessment, claims settlement and economic trend analysis.
The insurance products offered by EXIAR conform to the Berne Union standards replicating the range of instruments offered by major ECAs. In 2012 EXIAR developed the insurance regulations and the relating documents for the following 4 types of insurance:

- buyer’s credit insurance;
- supplier’s credit insurance;
- confirmed L/Cs insurance;
- comprehensive export credit insurance.

Additionally, in 2012 EXIAR developed a regulatory framework required to launch regular export credit insurance including the Underwriting Policies specifying basic approaches to the analysis of export projects and the associated risks, subsequent monitoring of the insured risks and their re-allocation through reinsurance.

EXIAR activities are based on OECD Arrangement on Guidelines for Officially-supported Export Credits regulating the provisions of official export credit support.

EXIAR’s communication policies stipulate positioning the Agency as the Russian national export credit agency operating in the global professional arena. To this end, in February 2012 EXIAR in cooperation with Vneshekonombank and supported by the Berne Union arranged an international conference “Export Insurance Support. Global Experience”.

EXIAR Insurance Portfolio by Region as of January 1, 2013

EXIAR Insurance Portfolio by Primary Line of Operations as of January 1, 2013
The 2012 year results show that EXIAR rendered insurance support to 15 export projects of the Russian exporters including SMEs, with the total amount of insured exports reaching RUB 14 bn.

EXIAR is seeking to allocate its insurance capacity among the Russian regions and industries. Strategically important industries primarily include high-technology and innovative industries of the Russian economy, as well as high value-added industries most significant for the Russian economy. Priority regional consumers of the Russian exports include the key partners of the Russian Federation capable of strengthening the Russian exporters’ positions on the traditional markets, securing access to new markets, increasing the volume of high-technology and innovative exports.

In the medium term, EXIAR intends to offer its services and competences to SMEs globally recognized as the centres of innovative product development. To this end, EXIAR will develop special products and software facilitating operations and communications between the Agency and SMEs.

### Development of Russian-Belorussian Integration Involving Vnesheconombank and BelVEB. Construction of Belorussian Nuclear Power Plant

The Strategy of BelVEB Development for the Period from 2011 to 2015 envisages a special role to be played by BelVEB in the implementation of the two countries’ joint projects in cooperation with Vnesheconombank. BelVEB is taking an active part in financing the projects designed to strengthen the Russian-Belorussian integration including reciprocal product deliveries by enterprises of the Republic of Belarus and the Russian Federation. BelVEB became the winner of the Banking Business — 2012 Award for efficiently developing financial relations between Russia and Belarus.

In 2012 BelVEB extended to its corporate customers USD 217.7 mn in loans intended for purchasing products in the Russian Federation. The total amount of loans extended to the Belorussian exporters to the Russian Federation reached USD 1,219 mn.

In February 2012, under the Agreement between the Government of the Russian Federation and the Government of the Republic of Belarus for Extending to the Government of the Republic of Belarus of the State Export Credit for the Construction of a Nuclear Power Plant in the Republic of Belarus, Vnesheconombank and BelVEB signed an interbank agreement for servicing the state loan extended for the nuclear power plant construction.
2.6.

Promoting PPP Mechanisms

In the circumstances of budgetary constraints public authorities and local government experience the need for leveraging public resources with the capabilities of private business for developing public infrastructure. The problem may be solved through the promotion of the PPP mechanisms giving a strong impetus to the economic growth, introduction of innovations and improvement of the quality of people’s life.

2.6.1.

Vnesheconombank’s Activities Aimed at Developing PPP Mechanisms

Vnesheconombank’s activities are aimed at promoting the PPP mechanisms to raise the off-budget funding for infrastructure projects on terms reasonably acceptable to the Government, society and the business community.

Assistance to Federal Authorities and Local Government in Solving Regional and Urban Development Problems Applying PPP Mechanisms

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment consulting</td>
<td>The total value of Vnesheconombank consulting services provided in 2012 amounted to RUB 93.22 mn</td>
</tr>
<tr>
<td>Regional law development</td>
<td>In 2012 Vnesheconombank drafted a new version of the regional model law “On Participation of RF Constituent Entities in the Public-Private Partnership’s” and prepared legal opinions on the laws on participations of the 3 RF constituent entities in PPP projects</td>
</tr>
<tr>
<td>FARMPD</td>
<td>As of January 1, 2013 the total amount of financial support approved within the framework of the FARMPD was RUB 997.5 mn</td>
</tr>
<tr>
<td>Development of public and municipal staff training scheme</td>
<td>In 2012 the training events arranged by the PPP Chair of the Finance University under the Russian Government established in cooperation with Vnesheconombank were attended by over 260 students, another 16 students joined the PPP Project Management master program</td>
</tr>
</tbody>
</table>
Vnesheconombank is involved in financing major Russian PPP projects. With a view to taking the PPP project market forward, the Bank renders to public authorities and local government financial and non-financial assistance designed to solve the regional and urban development problems employing the PPP solutions. These include investment consulting on PPP project generation and procurement, funding of regional and urban development projects, forming the regulatory framework governing application of the PPP mechanisms at the federal and regional level, preparing proposals for enhanced efficiency of the existing PPP models and developing new ones, disseminating advanced expertise and experience in the PPP project procurement.

2.6.2. PPP Legislative Framework

The draft federal law “On Public-Private Partnership in the Russian Federation” prepared in 2012 with the assistance of Vnesheconombank became a milestone event enabling attraction of private investments in implementation of the public infrastructure development projects. That was designed to make up for the lack of legislative instruments governing PPPs at the federal level. The federal law is expected to be enacted in 2013. Pending the enactment of the federal law specifying the principal lines of the PPP rule-making, the regions restrained their legislative efforts. In 2012 8 constituent entities of the Russian Federation enacted regional laws on engagement in PPP projects. Vnesheconombank prepared 3 of the respective legal opinions concerning Republic of Buryatia, Vladimir and Orenburg Regions.

As at 01.01.2013, regional laws on engagement in PPP projects were enacted in 62 out of 83 Russian constituent entities including 27 regions where Vnesheconombank assisted in the PPP legislative development.

In 2012 to improve the PPP regional legislative framework, Vnesheconombank drafted a new version of the regional model law “On Engagement of Constituent Entities of the Russian Federation in the Public-Private Partnership” designing PPP standard contractual and bidding documentation. The aim was to improve applicable and newly drafted laws, as well as to upgrade the quality of the PPP projects generated by public authorities.
2.6.3. Investment Consulting

The PPP investment consulting services provided by Vnesheconombank are aimed at supporting by public authorities and local government of industry, regional or urban development strategies involving the PPP mechanisms. Vnesheconombank acted as an investment consultant on the PPP project development and procurement. Actually, the Bank’s functions embraced:

- financial consulting provided to the Russian Government on eligibility of the tender bids for funding from the Investment Fund of the Russian Federation in compliance with the approved budgetary, financial and economic efficiency criteria;

- acting as the sole investment consultant to Russian constituent entities on selection of PPP investment projects.

In the context of reduced budgetary appropriations from the Investment Fund of the Russian Federation, reduced aspirations to generate projects qualifying for budgetary appropriations were witnessed. In 2012 Vnesheconombank performed an expert evaluation of 4 projects presented by the Ministry of Regional Development of the Russian Federation. All the projects were positively assessed by Vnesheconombank’s professionals and approved by the Government Commission for Projects of National, Regional and Interregional Importance. The total value of the consulting services provided by Vnesheconombank inclusive of VAT amounted to RUB 15.52 mn.

Also, in 2012 Vnesheconombank monitored projects which received allocations from the Investment Fund of the Russian Federation under investment agreements with 17 investors.

In 2012 Vnesheconombank as the sole investment consultant provided advice to the RF constituent entities to address their needs related to construction of water supply and sanitation facilities in Miass, Satki and Zlatoust, Chelyabinsk Region, and the construction of a crossover bridge near Podnovie, Nizhniy Novgorod Region. Throughout the year, Vnesheconombank also rendered investment advisory services under the PPP project on construction of kindergartens in Astrakhan Region. The total cost of advisory services provided by Vnesheconombank inclusive of VAT amounted to RUB 77.7 mn.

In 2012 Vnesheconombank considered 36 requests of the Russian constituent entities for provision of investment advisory services under PPP projects aiming to procure social and transport infrastructure, integrated territorial development, municipal housing and public utilities, communications and telecommunications infrastructure.
2.6.4.

Program for Financial Assistance to Development Projects

In 2010 Vnesheconombank’s Supervisory Board adopted a resolution on implementing between 2011 and 2015 the Program for Financial Assistance to Regional and Municipal Project Development (FARMes). The Program provides for reimbursable funding of the project development process (including the preparation of legal documentation, feasibility study, principal design solutions and solicitation to participate in a tender of all the interested parties). The Program encompasses the following areas:

- Integrated territorial development (regional and interregional projects) including:

Water Supply and Sanitation Project, Yaroslavl Region

In June 2012, during the Saint Petersburg International Economic Forum, Vnesheconombank and the Government of Yaroslavl Region signed a state contract for investment consulting on the inter-municipal water supply and sanitation project in Yaroslavl Region. For public authorities of Yaroslavl Region, Vnesheconombank will develop the project concept and design, secure pre-procurement activities enabling delivery of the project and prepare bidding documentation for selecting the PPP contract winner.

Drawing on the off-budget funding, the local authorities would be able to provide a complex solution of a major regional problem of the worn-out water supply and sanitation infrastructure hindering the region’s economic development and adversely impacting the quality of life of the local people and environment.

The Program is intended for rendering financial, advisory and technical assistance to public authorities and local government in respect of the PPP regional and urban development projects

- Formation of territorial, production and innovative clusters including development of technology platforms and commercialization;

- Construction of transportation, engineering and social infrastructural assets including creation of infrastructure on the sites intended for integrated residential (“affordable housing”) and industrial (“new industrialization”) development, SEZ, business incubators, technology and industrial parks;
- development of the mineral resource base of the regions, assistance in generating and procuring innovative projects for resource processing;

- social development (upgrading and construction of healthcare, education, culture, tourism and sports infrastructural assets);

- improvement of environmental safety through upgrading and construction of waste treatment, water supply and sanitation infrastructure;

- development of regional and municipal mass transit systems (upgrading and constructing roads, bridges, municipal transport, high-speed trams, airports);

- improvement of energy efficiency of the municipal pool of real property, district heating and street lighting systems;

- computerization of territories and raising the quality of public and municipal management (upgrading and constructing multi-purpose administrative centers, e-Government infrastructural assets, broadband Internet service infrastructure).

In 2012 the FCPF reviewed 105 proposals for financing project development using the funds of FARMPD, with 60 of them rejected due to low quality of preparation and poor economic efficiency. Following a preliminary expert evaluation of 43 projects and a comprehensive expert evaluation passed by 9 of the projects, 4 projects were approved for financing. Apart from it, in 2012 the FCPF also won a state contract for preparation of the PPP project to construct in Kiev the 4th underground line in the Vygvishchina-Troeshchina residential area.

2.6.5.

Staff Training for PPP Development

In 2012 the Public-Private Partnership Chair established by the Finance University under the Government of the Russian Federation in cooperation with Vneshekonombank continued its activities aimed at implementation of educational programs intended for public and municipal authorities and business entities engaged in the PPP projects and for students’ tuition under the Master Program.

During the year, the Chair conducted a number of advanced training courses attended by 160 students from 40 constituent entities of the Russian Federation, including 35 teachers representing different chairs of the Finance University and regional colleges who attended advanced training courses for teachers.

In September 2012 the Chair launched a two-year Master Program “PPP Project Management” joined by 16 students.

In December 2012 the Chair hosted the master class “The Public-Private Partnership in the CIS: Best Practices” attended by more than 100 representatives of the CIS and Russian regions. The master class was arranged with the expert support of the United Nations Economic Commission for Europe (UNECE) under the PPP cooperation agreement between UNECE
and Vnesheconombank. On the outcome of the master class, the participants worked out the first steps to develop common approaches to PPP project procurement in the CIS.

Following each event, the program participants were invited to answer a questionnaire revealing the level of satisfaction. The contents of the Chair’s 2012 educational programs were generally highly acclaimed by the students, with more than 70% of them expressing desire to continue advanced training offered by the Chair. That primarily concerns financial modeling, project management, management of risks associated with the PPP projects, etc. Further on, most of the requests and recommendations expressed in the questionnaires were given due consideration.

In 2012 more than 51 thousand unique visits were recorded on the web-site “Public-Private Partnership in Russia” (www.pppinrussia.ru) initiated by Vnesheconombank in 2010
2.7.

Developing Professional Environment in the Area of Investing Activities

The functions of a state development institution performed by Vnesheconombank are closely aligned with the need to develop investment culture and secure enhanced efficiency of investment in the Russian Federation. Vnesheconombank’s educational initiatives in shaping up the professional investment environment are aimed at raising professional awareness of employees involved in investment projects and improving qualifications of the young specialists in investment management.

2.7.1.

Educational Projects 2012

In 2009, for the purpose of raising professional awareness of employees involved in investing activities, Vnesheconombank launched the educational project “Training of Professional Participants in Investment Projects Co-implemented by Development Institutions”.

The project’s mission is to assist nurturing the investment culture and fostering investment activities in Russian regions through shaping up a professional environment that facilitates preparation and implementation of large-scale long-term investment projects.

The project’s target audience consists of professionals and executives representing various business entities operating in key branches of economy, representatives of the relevant federal and regional ministries and agencies, employees of the regional development institutions, independent experts, other specialists engaged in planning, preparation and implementation of development projects.
The project provides for various training formats targeted at a particular audience, with due regard for the level of skills and the extent of the students’ involvement in investing activities. The experts and lectures engaged in the project are managers and employees of Vnesheconombank’s key structural (investment) units, the Bank’s partners and customers, representatives of major consulting companies, college teachers and practitioners.

In 2012 the educational project included 15 events and offered 5 new educational formats. The project was attended by more than 1,060 participants against 810 in 2011

To improve the training process and the educational project events, Vnesheconombank regularly arranges questionnaire surveys to obtain feedback from the students. The 2012 interview results showed that the projects participants highly appreciated the quality of the educational event organization and the competences of lecturers and experts. More than 85% of respondents, who are potential borrowers of Vnesheconombank, underscored that project participation positively impacted their decision to apply to Vnesheconombank for funding.

<table>
<thead>
<tr>
<th>Number of educational project participants</th>
<th>Number of educational project events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>1067</td>
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<tr>
<td>2011</td>
<td>810</td>
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<tr>
<td></td>
<td>12</td>
</tr>
<tr>
<td>2010</td>
<td>349</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
Educational Project Implementation Strategy

| Basic training (in cooperation with universities) | Advanced training courses “Investments in Development Projects” devoted to the specific features of Russian and foreign development institutions’ activities, basic principles and project financing eligibility criteria, project efficiency and risk evaluation methods, typical errors in project preparation as well as Vnesheconombank’s key requirements to projects, investment project preparation, procurement, management and monitoring |
| Regional events | Events (workshops, conferences, business games, training, etc.) designed to inform regional authorities of the priority lines of Vnesheconombank’s activities and launch an efficient dialogue aimed at initiation and implementation of priority regional development projects and development of practical skills of the investment project participants |
| Youth projects | Educational events for students, postgraduates and young specialists engaged in industries prioritized by Vnesheconombank. Vnesheconombank’s involvement in the Russian and international educational youth forums such as the Seliger All-Russian Youth Forum, International Youth Industrial Forum “Engineers of the Future”, etc. Arranging competitions of students’ and postgraduates’ investment ideas in cooperation with leading regional universities. Organization of the Youth Club under the auspices of Vnesheconombank |

2.7.2.

Training Events for Representatives of Commercial Companies, Federal and Regional Executive Authorities

The past year witnessed arrangement, with close engagement of Vnesheconombank’s professionals, of a number of educational projects particularly designed for representatives of commercial companies, federal and regional executive authorities. An advanced training course “Investment in Development Projects” was arranged on the basis of the Moscow City Management University under the Government of Moscow and a number of regional events were staged. These included:

- thematical conference “VEB Group: Development Projects for the Krasnodar Territory and Adygeya Republic” and “Vnesheconombank: Cooperation Options in Implementing Development Projects in Volga Federal District”.

• business game “How to Prepare and Manage Effectively an Investment Project: Successful Practices of Vnesheconombank and Its Partners” in Kemerovo, Yekaterinburg and Pyatigorsk;
2.7.3. Raising Investment Management Qualifications among the Youth

Vnesheconombank seeks to raise qualifications of the younger generation in financial and investment management. The particular educational project is intended for developing Russia’s human resource potential and encouraging the scientific and research aspirations of the young. Vnesheconombank actively engages in arranging the all-Russian and international educational events and closely networks with leading colleges and universities in Moscow and the regions including participation in competitions for best investment projects worked out by students and post-graduates.

In 2012 Vnesheconombank for the third time participated in the Seliger All-Russian Youth Forum. Within the framework of the group “Innovations and Technical Creative Work”, the experts of Vnesheconombank, SME Bank and VEB Innovations offered consultancy on preparation, procurement and delivery of investment projects and on SME support and provided educational training and lectures on how to best draw up business plans for investment projects and venture finance. A competition for the best innovative project for the participants was announced, with 3 contest winners awarded traineeships with Vnesheconombank.

Within the International Youth Industrial Forum “The Engineers of the Future 2011”, Vnesheconombank arranged an educational service titled “How to Prepare and Effectively Manage an Investment Project: Successful Practices of Vnesheconombank and Partners”. The educational service was intended to raise awareness of the forum participants of Vnesheconombank’s priority business lines and the fundamentals of investment management. A competition for economists of major enterprises was organized; the winners were offered an opportunity of traineeship with Vnesheconombank’s investment units.

In 2012 Vnesheconombank also announced the 1st competition for students and postgraduates “The Economic and Investment Potential of the Southern Federal District” held in cooperation with the Rostov State Economic University. The authors of the 3 best works became the contest winners and were offered an opportunity of traineeship with Vnesheconombank.

In 2012 Vnesheconombank conducted 4 traineeship sessions for the participants of the 2011 educational youth forums and training events for 57 students of the leading Moscow colleges. During the year, Vnesheconombank offered jobs to 7 former trainees and 1 specialist that underwent training with Vnesheconombank in 2011.
Vnesheconombank Youth Club

In 2012 Vnesheconombank founded the Youth Club intended for students, postgraduates and young scientists from the leading Moscow economic colleges. The Club’s goal is to become a permanent discussion platform securing exchange of information, experience and new ideas related to problems of immediate concern for the social and economic development of the entire country and the regions.

The Club is engaged in 2 areas of activities: initiating unconventional solutions and instruments to address urgent strategic and practical tasks within the framework of scientific and research work performed by specialized sections covering the primary lines of Vnesheconombank’s activities and arrangement of educational events for the young.

December 2012 witnessed the launch of the Club’s pilot section “Integrated Territorial Development”. A competition of scientific essays for those willing to join the section’s workshops was announced.

2.7.4.

Vnesheconombank’s Initiatives in Training of Financial Sector Professionals

The VEB Group initiatives in training of financial sector specialists are implemented in cooperation with the relevant universities and other educational institutions of Russia, Ukraine and the Republic of Belarus. The initiatives include: Roseximbank’s support for the Financial University under the Russian Government and a long-standing cooperation between Prominvestbank and the Kiev Banking Institute.

A standard practice of the Group members is to offer students and postgraduates opportunities of traineeship with the Group members’ units. In 2012 BelVEB trained 208 college students and 44 students of specialized secondary schools of the Republic of Belarus. BelVEB also arranged a competition for the students willing to have a pre-degree training with the Bank, with 23 winners coming forward. Svyaz-Bank trained 48 students. VEB Innovations accepted 2 young trainees. Globexbank also offers traineeship to undergraduate students.
2.8.

Support for Small- and Medium-Sized Enterprises

A primary objective of Vnesheconombank in the field of SME support is increasing their contribution to quality growth of the Russian economy, securing structural diversification and facilitating a switch-over to innovative path of economic development. Fostering SMEs implementing innovative, production modernization and energy efficiency projects is a strategic priority for Vnesheconombank.

2.8.1.

Mechanism for SME Support Involving Vnesheconombank and the Group Members

Vnesheconombank seeks to bolster SME support over the entire territory of the Russian Federation, encourage SMEs operating in the non-commercial sector of economy, developing and introducing new instruments of SME support, attracting additional investments including those of foreign investors.

The VEB Group members have an important role to play in providing SMEs with the lending and leasing services as well as export support. SME Bank makes a special contribution to strengthening the SME financial sustainability. But actually, the SME Bank acts as Vnesheconombank’s agent in delivering the state SME support agenda.

Vnesheconombank and SME Bank closely coordinate their efforts with other development institutions participating in the multilateral Agreement on Interaction among Development Institutions and Stakeholders in Ensuring Continuous Financing of Innovative Projects throughout the Innovation Cycle.

The goal of the Agreement is to create a well-coordinated mechanism enabling consistent support of SME innovative projects, starting from R&D funding to assisting companies in the launch of IPOs.
In 2012 the implementation of the Agreement focused on carrying out the plan of facilitating access for innovation-oriented medium-sized enterprises to development institutions’ funding. The plan was approved by the Government of the Russian Federation. It provides for creating a central platform to ensure project information exchanges among the parties to the Agreement. Obviously, that could facilitate consolidation of information on projects supported by development institutions, help avoid overlapping assessments and, hence, accelerate decision-making in respect of projects promoted to the following stages of the “innovative lift”.

Formulation by development institutions of joint programs and legislative initiatives is also an important aspect of the Agreement implementation. These include the recent amendments to the Federal Law “On Development of Small and Medium-Sized Enterprises” that envisages liberalization of requirements to innovative companies supported by development institutions or foreign individuals.

### SME Support by VEB Group in 2012

<table>
<thead>
<tr>
<th>Organization</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME Bank</td>
<td>Acting as Vnesheconombank’s agent for the implementation of the SME support program</td>
<td>As of 2012 year-end, the volume of funds allocated to SMEs amounted to RUB 82.9 bn. SME projects in the non-commercial sector accounted for 66% of the SME loan portfolio; modernization and energy efficiency projects — for 57.5% and innovative projects — for 4.8%</td>
</tr>
<tr>
<td>Globexbank</td>
<td>Implementation of their own SME lending programs</td>
<td>As of 2012 year-end, Globexbank’s SME loan portfolio amounted to RUB 21,181 bn and Svyaz-Bank’s SME loan portfolio — RUB 12,592 bn</td>
</tr>
<tr>
<td>Svyaz-Bank</td>
<td>Rendering retail leasing services to SMEs</td>
<td>In 2012 VEB-Leasing was working to conclude agreements with SME entities on leasing vehicles, special-purpose machinery and equipment</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>Implementation of its own SME lending programs in the Republic of Belarus</td>
<td>As of 2012 year-end, BelVEB SME loan portfolio amounted to RUB 14,245 bn</td>
</tr>
<tr>
<td>EXIAR</td>
<td>Insurance support for exports of SME products and services</td>
<td>In 2012 EXIAR rendered insurance support to one SME entity and started the development of special products for SMEs</td>
</tr>
</tbody>
</table>
Post-Reporting Period Events

In 2013 Vnesheconombank began creating a mechanism of SME guarantee-based support pursuant to the Decree of the President of the Russian Federation “On the Long-Term National Economic Policy” providing for a mechanism of issuing state guarantees under investment projects implemented in the Russian Federation intended primarily for SMEs operating in sectors unrelated to mining and mineral resources processing.

2.8.2.

Financing SMEs through SME Bank

In 2012 Vnesheconombank continued the implementation of the State Program of Financial Support for SMEs through its subsidiary SME Bank. Under the Program, SME Bank provides for SME financing through designated partner banks and infrastructural entities (leasing, factoring and microfinance companies).

During the entire period of implementing, the Program embraced 36 thousand SMEs under 54 thousand agreements and over 360 partner entities through which SME Bank supported SMEs. Since the Program launch, RUB 277.1 bn worth of funds have been extended to SMEs.

As of 2012 year end, the Program was implemented in all the 83 constituent entities of the Russian Federation including 144 out of 333 single-industry towns and comprised about 22 thousand SMEs and 256 partner entities. The Program is focused on supporting SMEs engaged in the industrial sector, innovation-oriented SMEs and entrepreneurs in the regions characterized by a challenging social and economic situation. To expand support envisaged by the Program priorities, SME Bank offers loan products designed for SMEs engaged in the non-commercial sector.

In 2012 the scope of financial support under the Program increased from 69% as of 2011 year end to 80.5% as of 2012 year end, with the share of innovative, modernization and energy efficiency projects having grown from 36% to 62.4%

The year 2012 also witnessed the expansion of non-commercial SME support, with the respective share in the SME loan portfolio increasing from 59% as of 2011 year end to 66% as of 2012 year end. The share of production-oriented projects posted 22.4%, service sector projects — 31%, construction projects — 6.7%, agricultural projects — 5.9%.
As at 01.01.2013, according to information presented by SME Bank’s partner banks, SMEs funded under the Program created and maintained more than 430 thousand jobs, generated revenues of RUB 1.075 tn and paid RUB 30 bn in taxes.

SME Bank’s portfolio structure is considerably different from the market average in focusing on financing SMEs operating in the industrial sector and is characterized by more uniform allocation of state support among regions where the market gives preference to financing SMEs located in the Central Federal District, whereas the share of loans extended to productive SMEs does not exceed 14.4%.

“SME — Regional Growth” Loan Product

In 2012 SME Bank introduced a number of new loan products to encourage SME development in the regions characterized by a challenging economic situation as well as growth of production- and innovation-oriented SMEs.

“SME — Regional Growth” is a product designed to support SME lending in single-industry towns and the regions with no or a minimum demand for loans, such as the North Caucasian Federal District, the Nenets Autonomous Area, the Republics of Kalmykia and Tyva, the Baikal Region and the Chukotka Autonomous Area. In July 2012 the product was modified to support SME registered in Krymsk, Gelendzhik and Novorossiysk damaged by the flood.

A primary objective of the Program is to make long-term resources more available to SMEs. As of 2012 year end, the share of loans extended for a term over 3 years in SME Bank’s loan portfolio reached 56.2% against 16% (market average). SME Bank maintained its weighted average interest rate on the loans at 12.6% p.a., well below the market one. According to the “SME Lending in Russia” survey by Moody’s as at the beginning of 2012, the effective average interest rate on SME loans was 17% p.a.

SME Bank intensively accumulates and analyses information enabling it to better identify the SME needs with due regard for regional specifics. Based on the accumulated experience, SME Bank endeavours to enhance the Program efficiency, simplify the system of selection and standardization of the project funding terms and provide more targeted SME support.

In 2012, to improve the implementation of the Program of Financial Support for SMEs, SME Bank developed the Strategy for the Period of 2013-2015 approved in June 2013.

6 According to the survey “Small and Medium Business Lending in Russia: Major Banks Contemplate a Revenge” performed by Expert RA rating agency.
2012 Program Implementation Priorities

Program implementation priorities (80.5%):
- Modernization and energy efficiency
- Social sector
- Production sector (other projects)
- Innovations
- Other (19.5%)

Industry Breakdown of SME Loan Portfolio as of January 1, 2013

Non-commercial sector (66%):
- Service sector
- Production sector
- Construction
- Agriculture
- Commercial sector (34%)

Regional Breakdown of SME Loan Portfolio as of January 1, 2013

- Central Federal District: 32.4%
- Volga Federal District: 8.1%
- Southern Federal District: 10.6%
- Siberian Federal District: 9.1%
- North Western Federal District: 7%
- Urals Federal District: 4.7%
- Far Eastern Federal District: 3.9%
- North Caucasian Federal District: 24.2%
Reconstruction of heating facilities in Bakala, Satkinski District — a pilot project under the Integrated Program of the Housing Sector and Public Utilities Modernization and Improvement in the Chelyabinsk Region for the Period of 2011 to 2020

Borrower (SME) — Ural EnergoDevelopment LLC
Total project value — RUB 311 mn
SME Bank commitment — RUB 120 mn

The project is aimed at upgrading the housing sector infrastructure in the Satkinski District. Under the project, 4 new energy-efficient hot-water gas boiler houses will be put into operation.

The project is delivered adopting the PPP mechanism through which budgetary funds are allocated to connect the utility lines to the sites and overhaul the heat supply system.

The project will facilitate the replacement of the worn-out utility infrastructure with a high accident rate and low efficiency, transition to the decentralized heat supply system, reduction of energy losses in the course of heat transmission.

Upgrading of the heating facilities in Bakala will increase efficiency from 64% to 92% and provide for almost a two-fold energy saving reducing the cost of the services provided.

2.8.3.

Development of International and Regional Cooperation for SME Support

Vnesheconombank places a strong emphasis on development of cooperation with international and foreign financial institutions with a view to increase investments in the SME segment providing additional support to innovative and export-oriented SMEs. Since Vnesheconombank receives no budgetary appropriations for funding SMEs, the resources of International financial institutions are actually the sole alternative source of raising long-term capital at the acceptable cost of borrowing.

In 2012, to expand the range of SME funding instruments in Russia, Vnesheconombank and KfW, a German banking group, signed a Memorandum of Understanding to establish the International SME Finance Fund. The Fund will render SME support ranging from RUB 150 mn to 1 bn both through earmarked financing of Russian banks and direct investments in dynamic small and medium-sized enterprises in the non-commercial sector.
The survey performed to explore the Fund’s feasibility confirmed a considerable demand of Russian SMEs for long-term investments. For instance, the estimated demand in the manufacturing industry is as high as RUB 1 tn.

Overall, the amount of Vnesheconombank’s investment in the Fund will reach USD 150 mn, i.e. the same amount as that of KfW. In 2013 Vnesheconombank is expected to invest USD 75 mn and will increase its commitment to USD 150 mn within 4 years.

Another important move towards attracting resources for SME support was made in 2012 when Vnesheconombank, KfW and the Permanent Secretariat of the Council of the Baltic Sea States signed a Tri-lateral Memorandum of Understanding aimed at implementation of a pilot financial initiative in Russia’s regions adjacent to the Baltic Sea: Saint Petersburg, Leningrad, Kaliningrad, Pskov and Novgorod Regions. The Memorandum specifies financial support to SMEs engaged in innovative and upgrading projects as the main cooperation priority.

To accomplish the Memorandum goals, KfW extended to Vnesheconombank a long-term loan of USD 110 mn for funding SME projects. The projects meeting the Memorandum requirements will be funded under a loan agreement between Vnesheconombank and SME Bank. In 2013 the total amount of the loan facility is to be extended to SMEs implementing innovative and modernization projects.

Vnesheconombank was among the initiators to establish the Montreal Group incorporating development banks to ensure exchange of ideas and experience related to SME support. The Montreal Group was registered in September 2012. The establishment of an on-line storage of information on the SME support experience became one of the first steps to secure arrangements between the member development institutions.

Within the framework of collaboration with the OECD, Vnesheconombank contributes to the annual SME funding bulletin, the most significant source of information disclosing SMEs options to access the required financing and the SME support infrastructure in countries regarding the SME development as an investment priority.
Post-Reporting Period Events
In June 2013 during the Saint Petersburg International Economic Forum, the VEB Group and the Government of Leningrad Region signed the Joint Action Plan which envisages SME Support within 2013–2015. The Plan is intended to create an integrated SME development system in Leningrad Region.

The Program of Developing SME Business Skills
In 2012 Vnesheconombank and the United Nations Conference on Trade and Development (UNCTAD) continued the implementation of the EMPRETEC program aimed at nurturing small business leaders. The EMPRETEC program involves certified teachers and is based on the Harvard University methodology.

During the year 5 seminars were held for the SME segment representatives and 2 training sessions for the future program coaches. The seminar participants were offered an opportunity to open new businesses under the guidance of experienced advisers.

2.8.4.

SME Support by VEB Group Members
Apart from SME Bank, other VEB Group members including subsidiary banks operating in Russia, the Republic of Belarus and Ukraine and a specialized company VEB-Leasing seek to render support for SMEs. The Group continuously updates the SME product line focusing on the support of SMEs engaged in innovative, modernization and energy efficiency activities.

Svyaz-Bank. Svyaz-Bank provides integrated banking services to SMEs including various lending programs ranging from 1.5 to 7 years. In 2012 Svyaz-Bank launched a new program “State Support to SMEs to Secure Innovation, Modernization and Energy Efficiency within the Framework of Funding Provided by SME Bank”.

Globexbank. Globexbank extends SME loans from the resources allocated under the Program of Financial Support for SMEs developed by SME-Bank. In 2012 Globexbank and SME Bank signed an agreement for extension by SME Bank to Globexbank of an additional credit facility under the FIM (funding of in-
novations and modernization) program. The targeted FIM loan product developed under the program is intended for financing SME projects relating to innovations, industrial modernization and energy efficiency enhancement. The loans are extended for a term of up to 5 years.

**BelVEB.** The Bank’s Credit Policy approved in January 2012 provides for expanded lending operations with efficiently operating SMEs, strengthening of the Bank’s position in this particular sector of the credit market through building a stable customer base, expanding the range and improving the quality of customer lending services.

In 2012 BelVEB expanded the geographic scope of the Loan Agreement for SME lending with the EBRD securing the EBRD loans availability to such regions as Vitebsk, Orsha, Baranovichi and Mogilev.

Under the Agreement with the EBRD, BelVEB embedded the procedures of compliance with environmental and social requirements in lending operations raising the EBRD funding. That envisages an additional expert evaluation of SME loans in the amounts exceeding USD 100 thousand. In 2012 BelVEB scrutinized 13 projects.

In December 2012 BelVEB, SME Bank and the Business Union of Entrepreneurs and Employers named after Prof. M.S. Kunyavski signed the Agreement on Cooperation in SME Support.

**VEB-Leasing.** VEB-Leasing priorities include active promotion of the SME-oriented retail business. VEB-Leasing offers SMEs a wide range of affordable products characterized by a high speed of decision-making and simplified documentation execution. As of the year end, the company maintained one of the largest regional leasing networks among Russian leasing companies that included 102 branches.

In 2012 the company approved the new Development Strategy of VEB-Leasing LLC including retail leasing services to SMEs within 2012–2017. The Strategy provides for the expansion of the regional network, the development of new SME-oriented leasing products and a considerable increase in the amount of SME support. The Strategy implementation should strengthen the company’s leadership position in the SME retail leasing segment.
### Industry Breakdown of SME Support by VEB Group Subsidiaries as of January 1, 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>2013 Percentage</th>
<th>2012 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service sector</td>
<td>6.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>2.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>16.4%</td>
<td>18.8%</td>
</tr>
<tr>
<td>Industry</td>
<td>8.7%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.4%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Trade</td>
<td>20.5%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Other</td>
<td>19.3%</td>
<td>18.8%</td>
</tr>
</tbody>
</table>

### SME Support by VEB Group Subsidiaries (RUB bn)

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>2013 Support</th>
<th>2012 Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Globexbank</td>
<td>21,181</td>
<td>15,695</td>
</tr>
<tr>
<td>Svyaz-Bank</td>
<td>12,592</td>
<td>9.82</td>
</tr>
<tr>
<td>BelVEB</td>
<td>14,245</td>
<td>4,773</td>
</tr>
</tbody>
</table>

### Regional Breakdown of SME Support by VEB Group Subsidiaries as of January 1, 2013

<table>
<thead>
<tr>
<th>Federal District</th>
<th>2013 Support</th>
<th>2012 Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Federal District</td>
<td>28%</td>
<td>43.6%</td>
</tr>
<tr>
<td>Volga Federal District</td>
<td>9.2%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Siberian Federal District</td>
<td>12.4%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Southern Federal District</td>
<td>3.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>North Western Federal District</td>
<td>17.3%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Ural Federal District</td>
<td>6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Far Eastern Federal District</td>
<td>11.9%</td>
<td></td>
</tr>
<tr>
<td>North Caucasian Federal District</td>
<td>11.3%</td>
<td></td>
</tr>
</tbody>
</table>
2.9.

Attracting Foreign Investment, Human Resources and Technologies into Russian Economy

Vnesheconombank’s dedicated efforts to develop international cooperation fully respond to Russia’s aspirations to increase the openness of the country’s economy, win global markets’ confidence and actively engage in the international financial markets. Vnesheconombank seeks to accomplish a wide range of tasks related to attracting foreign investment into the Russian economy thereby enabling both implementation in Russia of major projects and introducing state-of-the-art foreign technologies, and nurturing the culture of good business conduct.

2.9.1.

Vnesheconombank’s Interaction with International Financial Institutions

Being a development bank, Vnesheconombank cooperates with the leading international and national financial institutions focused on strengthening economic cooperation to meet the most acute challenges of modern society. Vnesheconombank represents the interests of the Russian financial sector abroad and contributes to developing international standards of the financial industry. The Bank is committed to promoting experience exchange in innovative banking technologies and products.

Obviously, attraction into Russia of foreign investment to deliver joint projects in such priority areas as innovations, environmental protection, energy efficiency, etc. may well be viewed as an important outcome of Vnesheconombank’s networking with foreign partners.
In December 2012 the Supervisory Board of Vnesheconombank approved the establishment in Hong Kong of VEB Asia Ltd, a wholly-owned subsidiary intended for raising loans to finance large-scale projects implemented in the Russian Federation and the Asia-Pacific countries, primarily in China. Given that Hong Kong is a major international financial centre, the company also aims to contribute to establishment of an international financial centre in Moscow. This particular task was expressly formulated by the President of the Russian Federation.

Vnesheconombank maintains continuous interaction with its foreign partners under educational programs to explore best international practices. In 2012 Vnesheconombank’s professionals attended the workshops held to exchange experience with the CDB, Development Bank of Kazakhstan and BNDES.

Further cooperation between Vnesheconombank and foreign financial institutions provides for raising in 2013 loans in the amount of at least USD 1.5 bn to fund major investment projects in Russia. Apart from it, in 2013 Vnesheconombank plans to sign with the World Bank an agreement on providing consulting services with a view to devising and putting into place an efficient system to manage innovative activities at the regional level. When launched, the system will facilitate monitoring of innovative activities and disseminating of the respective information in Russian regions, thus enabling both planning and implementing regional innovative strategies and programs.

A number of agreements with IFC including those on developing mechanisms that could rationalize generation of a pipeline of Vnesheconombank’s energy efficient projects underpinned by the international expertise and best practices are being drafted for signing.

<table>
<thead>
<tr>
<th>International associations and initiatives</th>
<th>2012 Interaction results</th>
</tr>
</thead>
</table>
| **Interbank Consortium of the Shanghai Cooperation Organization (SCO)** — an association of authorized state banks and lending institutions of the SCO member states (Russia, China, Kazakhstan, Kirghizia, Tadzikistan, Uzbekistan) | • Agreement on Cooperation in Servicing and Enhancing the Real Economy and Agreement on Cooperation in Environmental Protection and Energy Saving were signed  
• The SCO IBC Council adopted a declaration on sustainable development thus confirming the member banks’ preparedness to boost the social and economic growth of the SCO member states and promote sustainability principles |
| **Interbank cooperation among the BRICS member countries** — an association of financial development and export support institutions of the BRICS member countries (Russia, Brazil, China, India, South Africa) | • Master Agreement on extending loans in national currencies and Master Agreement on L/Cs confirmation within the framework of the BRICS Interbank Cooperation Mechanism were signed  
• Agreement on cooperation and co-financing of sustainability projects within the framework of the BRICS Interbank Cooperation Mechanism was drafted and is scheduled for signing in 2013 |
<table>
<thead>
<tr>
<th>International associations and initiatives</th>
<th>2012 Interaction results</th>
</tr>
</thead>
</table>
| Partnership for Modernization Initiative of Russia and the European Union — the initiative for developing mutually beneficial cooperation between Russia and EU within the framework of which Vnesheconombank, EBRD and EIB signed a Memorandum of Understanding | • The European Investment Bank (EIB) committed to extend financing for:  
  - SME support projects and other projects meeting the EIB requirements including through Vnesheconombank’s subsidiary banks (in the amount of up to Euro 200 mn);  
  - major infrastructural projects supported by Vnesheconombank (a loan facility of up to Euro 150 mn);  
  - Vnesheconombank’s contribution to the International SME Finance Fund established in cooperation with KfW (a loan facility of up to USD 150 mn) |
| Pilot financial initiative intended for support and development of SMEs, PPP-based environmental protection and innovative projects in the North Western Region of the Russian Federation | • Vnesheconombank, KfW and the Permanent Secretariat of the Council of the Baltic Sea States signed a Memorandum of Understanding. To implement the initiative, 2 loan agreements were signed for the total amount of USD 110 mn to finance PPP projects and innovation-oriented SMEs and in the amount of USD 65 mn to finance a project on environment-friendly treatment of mixed solid waste (Saint Petersburg) |
| Joint investment programs of IBRD and Vnesheconombank — joint investment programs of IBRD and Vnesheconombank to finance projects aimed at removal of infrastructural constraints, enhancement of energy efficiency and resource conservation | • Vnesheconombank, the IBRD, the Russian Venture Company and the Fund for Infrastructural and Educational Programs signed a 4-party Memorandum of Understanding confirming the parties’ intention to cooperate on the IBRD project “Creation of the Russian National Innovative Observatory” |
| International Development Finance Club (IDFC) — an association of the national and regional development banks from 19 countries | • A Declaration on the basic principles of IDFC support to sustainability was adopted aiming to attract private capital for delivery of projects in such fields as renewable energy, innovations, infrastructure development and environmental pollution |
| Nordic Environment Finance Corporation (NEFCO) — a financial institution established by Denmark, Iceland, Norway, Finland and Sweden to finance investment projects in Russia, Estonia, Latvia, Lithuania, Republic of Belarus and Ukraine | • Vnesheconombank and NEFCO signed a Memorandum of Understanding expressing their intention to cooperate in such fields as energy efficiency, environmental protection, waste treatment, housing and public utilities, “clean” technologies |
| Coordinating Committee for Economic Cooperation with Sub-Saharan Africa (Afrocom) — a public organization for shaping business ties with Sub-Saharan Africa uniting over 90 Russian state and business entities | • Acting as the Afrocom Chair, Vnesheconombank launched a special Internet portal (www.afrocom.ru) devoted to the Russian-African economic relations enabling the online disclosure of business information, commercial and export offers |
2.9.2.

Vnesheconombank’s Participation in Creating International Financial Centre in Moscow

In 2012 Vnesheconombank continued active engagement in the project to establish the Moscow International Financial Centre (MIFC) designed to become the core of the Russian financial system. MIFC is called to network investors and those experiencing strong demand for capital. Admittedly, MIFC will both facilitate Russia’s integration in the global economy and enhance sustainability of the global financial system due to improved manageability and predictability.

The MIFC’s development plans requiring concerted efforts of the executive bodies and agencies and the financial market professionals are being prepared by the Task Force for Establishment of an International Financial Centre in Moscow, the Russian Federation. The Task Force includes 7 workstreams. Sergey Vasiliev, Deputy Chairman of Vnesheconombank — Member of the Management Board, chairs one of the workstreams.

The expertise required to address strategic issues relating to integration of the Russian financial market in the international economic system is provided by the International Advisory Committee on Establishing and Developing an International Financial Centre in the Russian Federation. Vladimir Dmitriev, Chairman of Vnesheconombank, is a member of the respective committee.

The MIFC establishment is also aided by the Russian-British Liaison Group formed in 2011. In 2012 Vnesheconombank held the 3rd meeting of the Group. Special attention was devoted to discussing the most promising workstreams that could focus on developing long-term financial solutions and advanced information and communications technologies in the financial industry.

2.9.3.

Activities of Russian Direct Investment Fund

The Russian Direct Investment Fund (RDIF) established in 2011 on the initiative and with direct assistance of the President and the Prime Minister of the Russian Federation has an important role to play in attracting major foreign investments. The Fund’s assets are managed by the RDIF Management Company, Vnesheconombank’s 100% subsidiary.

Investment activities of RDIF are aimed at enhancing production and management efficiency of the Rus-
Russian companies that are economy leaders. Mandatory co-financing by qualified co-investors and RDIF (the minimum ratio of co-investment is 1:1) serves as the key mechanism and a driver enabling it to attract considerable amounts of FDI into the Russian economy.

The RDIF priority is to ensure a maximum return on investments (ROI). To attract qualified co-investors, RDIF draws on the internationally accepted efficiency criteria of direct investment fund. These, apart from ROI, include risk minimization and milestone deals enhancing investor reputation and securing growth of investment in the respective sectors.

The RDIF activities receive expert support of the International Expert Council comprising top-ranking experts and executives of major sovereign investment funds. The 1st meeting of the Expert Council summing up the Fund’s activity results was held in June 2012

A meaningful outcome of the RDIF’s activities was the establishment in 2012 of the Russian-Chinese Investment Fund in cooperation with the China State Investment Corporation (CIC). Over 70% of the Fund’s assets are expected to be invested in the Russian and CIS companies and projects, with the remaining assets being channeled to Chinese companies with Russian equity investment.

In 2012 the RDIF took an active part in a number of significant international forums including the International Economic Forum in Davos and Saint Petersburg International Economic Forum. During the 2012 Saint Petersburg International Economic Forum RDIF announced the launch of an automatic co-investment mechanism. Kuwait Investment Authority (KIA) became its first member. This means that the KIA will participate in all the transactions co-financed by RDIF.
Pension Savings Investment

Vnesheconombank acting as the STMC strictly complies with the applicable Russian law and manages pension savings in the best interests of the insured persons invariably seeking to ensure the safety of the pension funds under management. In 2012 Vnesheconombank was also delegated the function of a state management company to handle the disbursement reserve intended for establishing a reliable system of financing disbursements out of the pension savings.

2.10.1.

Acting as State Trust Management Company

In 2012 Vnesheconombank continued to act as the STMC to manage the pension savings of the citizens. Also, by the Directive of the Russian Government Vnesheconombank was designated as the state company to manage the disbursement reserve resources.

The mechanism of forming the disbursement reserve was specified by Federal Law “On Procedure of Funding Disbursements from Pension Savings” No. 360-FZ dated 30 November 2011. The disbursement fund is formed by the Pension Fund of the Russian Federation out of the pension savings of the insured persons entitled to the accumulative part of labour pensions.

Acting in the above capacity, Vnesheconombank makes up 2 new investment portfolios:

• the portfolio of pension savings of the insured persons entitled to term payments being the source of financing disbursements out of the accumulative part of labour pensions payable in equal portions over a certain period of at least 10 years;

• the portfolio of the disbursement reserve being the source of financing disbursements out of the accumulative part of labour pensions payable perpetually every month;

The 2012 results showed a persisting favourable trend for the pension system reflecting the reduction of the STMC’s share in the amount of the total pension savings as compared to that transferred to the non-governmental pension funds and asset management companies. In 2012, according to the Investfunds information and analytical resource, the STMC’s share in the total pension savings decreased from 75.9% to 70.1% indicating that the increasing number of the insured persons gives preference to non-governmental pension funds fostering the development of a non-governmental retirement system.
### Investment Portfolio of Vnesheconombank Acting as State Trust Management Company

<table>
<thead>
<tr>
<th>Acting as the STMC to manage the pension savings</th>
<th>Performing the STMC functions in respect of disbursement reserve management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended investment portfolio</td>
<td>Investment portfolio of government securities</td>
</tr>
<tr>
<td>Investment portfolio of the disbursement reserve</td>
<td>Investment portfolio of pension savings of insured persons entitled to term pension payments</td>
</tr>
</tbody>
</table>

As at 01.01.2013, the total amount of pension savings under the STMC’s trust management reached RUB 1,643,644 mn, with the amount of the disbursement reserve under the STMC’s trust management being RUB 350 mn.

#### Change in the STMC share in pension savings against 2011

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount (RUB bn)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2012</td>
<td>1,643</td>
<td>70%</td>
</tr>
<tr>
<td>September 2012</td>
<td>1,541</td>
<td>70.7%</td>
</tr>
<tr>
<td>June 2012</td>
<td>1,448</td>
<td>71.1%</td>
</tr>
<tr>
<td>March 2012</td>
<td>1,358</td>
<td>71.5%</td>
</tr>
<tr>
<td>December 2011</td>
<td>1,334</td>
<td>75.9%</td>
</tr>
<tr>
<td>September 2011</td>
<td>1,196</td>
<td>76.5%</td>
</tr>
<tr>
<td>June 2011</td>
<td>1,055</td>
<td>76.3%</td>
</tr>
<tr>
<td>March 2011</td>
<td>944</td>
<td>77.6%</td>
</tr>
</tbody>
</table>

#### Change in the STMC share in pension savings for 2002-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>70.05%</td>
</tr>
<tr>
<td>2011</td>
<td>75.94%</td>
</tr>
<tr>
<td>2010</td>
<td>80.89%</td>
</tr>
<tr>
<td>2009</td>
<td>83.93%</td>
</tr>
<tr>
<td>2008</td>
<td>88.48%</td>
</tr>
<tr>
<td>2007</td>
<td>90.30%</td>
</tr>
<tr>
<td>2006</td>
<td>93.25%</td>
</tr>
<tr>
<td>2005</td>
<td>95.88%</td>
</tr>
<tr>
<td>2004</td>
<td>95.83%</td>
</tr>
<tr>
<td>2003</td>
<td>96.65%</td>
</tr>
<tr>
<td>2002</td>
<td>96.58%</td>
</tr>
</tbody>
</table>
2.10.2.

Eligible Investment Instruments

The STMC’s portfolios are invested according to the Investment Declaration approved by the Government of the Russian Federation. Since 2009 Vnesheconombank has been entitled to make up 2 investment portfolios: an extended portfolio and an investment portfolio of government securities.

Significant broadening of the list of instruments eligible for the pension savings investments within the extended portfolio enhances the efficiency of the pension savings investments. The list of instruments in which the disbursement reserve management company may invest is similar to that of the extended investment portfolio.

In pursuit of the 2012 STMC’s objectives, the pension savings of the extended portfolio were invested primarily in new investment instruments such as high-quality corporate bonds, bonds issued by the Russian constituent entities, mortgage-backed bonds, bonds of the international financial organizations (IFOs) and deposits with the Russian commercial banks (RCB).

The amount of the extended portfolio’s pension savings invested in the new investment instruments including the RCB deposits increased from RUB 329.05 bn as of 2011 year end to RUB 583.54 bn as of 2012 year end. The share of the new instruments in terms of the portfolio market value increased from 24.76% to 35.67%. As of 2012 year end, government securities accounted for 57.48% of the extended portfolio.

| STMC Investments in New Investment Instruments Including RCB Deposits (RUB bn) |
|-----------------|-----------------|
| 31.12.2012      | 583.54          |
| 31.12.2011      | 329.05          |
| 31.12.2010      | 184.97          |
Return on Pension Savings Investments

Vnesheconombank maintains an intensive cooperation with the relevant ministries and agencies to increase return on the pension savings investments and ensure increased inflow in real economy. Proposal prepared by Vnesheconombank to improve the process of pension savings investment through the mitigation of existing restrictions were taken into account by the Russian Government in Federal Law “On Amendments to Certain Legal Acts of the Russian Federation on Funding Disbursements from Pension Savings” No. 243-FZ dated 3 December 2012 and Decree of the Government of the Russian Federation “On Amendments to the Investment Declaration of the Extended Investment Portfolio of the State Trust Management Company” No. 1347 adopted on 20 December 2012.

In December 2012 amendments were made to the Investment Declaration of the STMC’s extended portfolio according to which the maximum share of corporate bonds of a single issue was increased to 60% of the issue’s outstanding bonds and all restrictions were removed on the acquisition of Russian issuers’ bonds assigned long-term credit ratings of the ruble-denominated or foreign currency-denominated bonds at a level at least comparable with the relevant rating of the Russian Federation.

As of 2012 year end, return on invested pension savings of the extended portfolio posted 9.21% and that of the government securities portfolio — 8.47% exceeding the rate of the 2012 inflation recorded at 6.6% according to the Rosstat data.

Return on the disbursement reserve portfolio and the term payments portfolio was equal respectively to 2.47% and 2.66%, the low return resulting from the fact that the Pension Fund of the Russian Federation placed the 2 portfolios’ money in trust with Vnesheconombank in QIV 2012 and it was invested only in December 2012, which means an investment period shorter than 1 month.

### Return on Invested Pension Savings

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended Investment portfolio</td>
<td>9.21%</td>
<td>5.47%</td>
</tr>
<tr>
<td>Investment portfolio of government securities</td>
<td>8.47%</td>
<td>5.90%</td>
</tr>
</tbody>
</table>

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*BACK TO CONTENTS*
Vnesheconombank’s Investments in Affordable Housing Construction and Housing Mortgages in 2010-2013

In 2012 Vnesheconombank continued to implement the program of investment in affordable housing construction and housing mortgages scheduled for the period of 2010–2013. The Program is intended to boost mortgage lending and make housing more affordable to the entire population.

The Program provides for investing RUB 250 bn including RUB 160 bn of pension savings of the STMC extended portfolio, RUB 50 bn of Vnesheconombank’s own funds and RUB 40 bn allocated by the National Wealth Fund.

Over the period of the Program implementation, the weighted average interest rates under the housing mortgage decreased from 13.1% p.a. as of 2010 year end to 12.3% p.a. as of 2012 year end. During the peak periods the interest rates were as low as 11.8% p.a.

Under the Program, RUB 60 bn of the STMC’s extended portfolio’s pension savings will be invested in corporate bonds of the Agency for Housing Mortgage Lending (AHML) guaranteed by the Russian Federation. Another RUB 150 bn including RUB 100 bn of the pension savings and RUB 50 bn of Vnesheconombank’s own funds will be invested in mortgage bonds issued by commercial banks and specialized mortgage entities.

VEB Capital acts as the program arranger and underwriter responsible for underwriting the mortgage bond issues of the Program participants in compliance with the approved Program parameters.

As of 2012 year end, Vnesheconombank invested RUB 28.68 bn of the pension savings in the guaranteed bonds of the AHML and acquired mortgage-backed bonds issued by VTB 24 and AHML totally worth RUB 19.16 bn. Actually, RUB 12.77 bn of pension savings and RUB 6.39 bn of Vnesheconombank’s own funds were used for the acquisition.

In 2012 the Program involved 11 commercial banks and specialized mortgage entities whose applications for mortgage-backed bonds worth RUB 150 bn were approved by Vnesheconombank.

As of 2012 year end, the Program participants extended over 84 thousand loans totaling RUB 132.62 bn against about 33 thousand loans totaling RUB 50.84 bn extended in 2011. That is actually a double increase.
2.11.

Charity

Vnesheconombank regards charity as an integral part of its corporate social responsibilities reflecting the Bank’s aspiration and desire to be actively involved in public life. The highest priority is given to education, science, culture, arts, healthcare and environmental protection projects. In 2012 the VEB Group allocated RUB 1,284 bn for charity thereby considerably exceeding the 2011 allocations of RUB 927 mn.

2.11.1.

Charitable Activities of Vnesheconombank

The charitable activities enable Vnesheconombank to increase the scale and scope of contribution to addressing most acute social problems and develop important public institutions. In 2012 the primary lines and mechanisms of Vnesheconombank’s charity policies practically remained unchanged. Just as before, the bulk of the Bank’s funds was used to support science, education, arts and culture. Concurrently, Vnesheconombank continued to support healthcare and socially disadvantaged groups of population, sports of records, the Russian Orthodox Church and environmental protection projects.

Most of the Bank’s charitable projects are implemented on a long-term basis. Vnesheconombank has been supporting the Research Institute of Children Oncology and Hematology named after N.N. Blokhin and the First Children’s Oncological Hospice for 15 years. The Bank also continuously allocates funds to the Academy of Young Soloists of the Mariinsky Theatre and the Ballet School named after Vaganova, the Pyotr Fomenko Studio Theater in Moscow, the Pushkin State Museum of Fine Arts, the Moscow Kremlin Museums, the Polytechnical Museum, etc.

Within the framework of developing the Russian sports of records, Vnesheconombank has been rendering regular support to the All-Russian Volleyball Federation, the All-Russian Cycling Federation, the Rugby Players Union of Russia and assists the Russian 2018 Organizing Committee in the preparation for hosting the 2018 Football World Cup in Russia.
In 2012 the Bank allocated funds for the construction and rehabilitation of more than 10 cathedrals, churches and monasteries and supported further construction of the Patriarch Center for Spiritual Growth of Children and Youth at the St. Daniel Monastery of Moscow. The new beneficiaries of Vnesheconombank include the Church of Tikhvin Icon of the Mother of God in the village of Putilovo, Kirovski District, Leningrad Region and the Chapel of Kazan Icon of the Mother of God in Kaluzhskaya Square in Moscow, the Orthodox Monastery of St. George in Getschendorf (Germany).

Since 2010 the Bank has been introducing new environment-friendly charitable projects. In 2012 Vnesheconombank rendered assistance to the Belovezhskaya Pushcha and Pripyatski National Parks.

**Priority Charitable Activities of Vnesheconombank in 2012 (% of allocations)**

- Science, education, arts and culture: 30%
- Healthcare and social support for individuals, child aid: 12%
- Support for the Russian Orthodox Church: 9%
- Sport of records: 2%
- Environmental protection projects: 47%
New Beneficiaries of Vnesheconombank

Vnesheconombank annually adds new beneficiaries to the beneficiary list. In 2012 the following entities were included in Vnesheconombank’s charity program:

**The Russian Federal Research and Clinical Centre of Special Medical Aid and Medical Technology**, a major medical centre in Moscow comprising a multifield hospital, advisory and diagnostic centre, research institutes and postgraduate education chairs. The hospital for 810 patients has surgical, therapeutic, resuscitation and intensive care units.

**The International Fund of Technologies and Investments**, a non-profit organization founded in 2000 to support science, culture, education and innovations in Russia. A priority line of the Fund’s activities is professional management of scientific and technical projects aimed at developing innovative products and technologies. The Fund has implemented over 450 projects involving more than 100 thousand Russian scientists, culture and education workers.

**The Pripyatski National Park**, a unique reserve of more than 188 thousand hectares in the south of the Republic of Belarus protecting 38 species of plants and 74 animal species included in the Red Book of the Republic of Belarus. The tourist camp located in the Park hosts tourists from every corner of the globe.

2.11.2.

Charity within VEB Group

Charity has become the Group-wide trend. In 2012 all the 6 subsidiary banks of the Group implemented charitable projects in healthcare and social support for individuals, science, education, arts and culture. A number of the Group’s subsidiary banks render support to sport of records and the Russian Orthodox Church.

In contrast to 2011 when the specialized entities of the VEB Group did not engage in charitable activities, in 2012 VEB-Leasing joined the Group’s charitable initiatives to render assistance to the Rostov nursing home for the elderly and disabled.

The largest charitable allocations among the Group members were made in 2012 by GLOBEXBANK. Top-priority areas of charitable activities of GLOBEXBANK encompassed social programs, arts and culture and support for the Russian Orthodox Church. In 2012 GLOBEXBANK became the patron of the Russian Booker Literary Prize, one of the most reputed and prestigious Russian literary awards. GLOBEXBANK also assisted the Novosibirsk Philharmonic Society in giving charitable concerts and the Fund for Young Talents of Siberia supporting young musicians, artists, ballet dancers.
The area of BelVEB charitable activities included sport of records, schools and cultural projects. In 2012 BelVEB rendered assistance to organizing the 3rd International Christmas Opera Forum in Minsk. Charitable contributions were also made to the Representative Office of the National Olympic Committee of the Republic of Belarus.

In 2012 Roseximbank supported the All-Russian Competition for Bachelors Graduating from Higher Education Institutions “The Magic of Master’s Degree Studies. Let’s Combine Science and Practice!” organized by the Finance University under the Government of the Russian Federation and the “Young Russian Culture in Italy” festival. Additionally, Roseximbank rendered assistance to the International Chekhov Charitable Foundation in arranging Christmas festivities, the exhibition "Devotion to the Common Good", the international scientific conference "Young Researchers of Chekhov", and the recital competition in the State Literary Memorial Museum of A.P. Chekhov “Melikhovo”.

Charitable activities of Prominvestbank were aimed at assisting organizations supporting the disabled and veterans of the Great Patriotic War (Vnesheconombank’s retirees). Prominvestbank beneficiaries also included the Theatre Initiative Charitable Foundation named after K.P. Khokhlov.

Svyaz-Bank’s and SME Bank’s charitable efforts were focused on support for healthcare, education, arts and culture. Svyaz-Bank also supported sport of records and rendered social support to individuals and SME Bank provided support for children.
3. Responsible Business Practices

3.1. Anti-Corruption Procedures

The activities of Vnesheconombank aimed at preventing corruption and observing professional ethics for the purpose of protecting customers, counterparties and business partners form an integral part of the Bank’s corporate culture helping to build confidence between Vnesheconombank and the financial market members and reducing reputational risks for Vnesheconombank

3.1.1. Anti-Money Laundering and Counter Terrorist Financing

To prevent the penetration of criminal capital in the Russian economy and the possibility of terrorism, Vnesheconombank maintains an anti-money laundering and counter terrorist financing (AML/CTF) system.

The Bank’s AML/CTF system is based on requirements of Federal Law No. 115-FZ dated 7 August 2001 “On Anti-Money Laundering and Counter Terrorist Financing”, recommendations of the CBR, international financial institutions and practical experience of foreign and leading Russian financial institutions.

The framework of the AML/CTF system is shaped up by the Internal Control Rules on AML/CTF binding on all employees of Vnesheconombank that are engaged in banking and other transactions (or monitoring them) to minimize the risk of money laundering and terrorist financing through Vnesheconombank.

The AML/CTF system incorporates a number of procedures aimed at preventing money laundering and terrorist financing, prompt identification of customer operations and transactions subject to compulsory control as well as unusual transactions. The procedures include the identification of customers, customer representatives and beneficiaries, the process of obtaining, processing and storing the required documentation and information, arrangements for cooperation with appropriate authorities, the timing and forms of employee AML/CTF training and the assessment of risk of money laundering and terrorist financing.

Vnesheconombank’s strategic AML/CTF objective includes improvement of the AML/CTF system with due consideration for the existing requirements of the applicable law, the principal functions, areas of activities and customer base of Vnesheconombank as well as disseminating and implementing the common basic operating principles of the AML/CTF system in subsidiary banks.
In 2012 due to changes in the applicable law, the Internal Control Rules and other VEB’s internal regulatory documents were amended to introduce compulsory control over the operations of non-commercial entities and identification of customers belonging to a particular category.

In 2012 the AML/CTF training events were attended by 588 Vnesheconombank employees including 98 employees trained remotely. 66 employees attended the briefing on AML/CTF aspects of securities market transactions. Additionally Vnesheconombank’s 624 employees underwent AML/CTF skills testing.

In 2012 within the framework of AML/CTF cooperation with foreign financial institutions including the meetings with Citibank and Barclays Bank representatives, Vnesheconombank exchanged experience and information on the actions performed for the purpose of AML/CTF.

AML/CTF and Anti-Corruption Activities within Subsidiaries

The VEB Group’s entities perform AML/CTF activities in accordance with the requirements of the applicable Russian law and the Bank of Russia. The only exceptions are VEB Engineering, VEB Innovations Fund, North Caucasus Development Corporation and the Far East and Baikal Region Development Fund that are not covered by Federal Law No. 115-FZ “On Anti-Money Laundering and Counter Terrorist Financing” dated 7 August 2001. BelVEB and Prominvestbank carry out AML/CTF activities in accordance with the applicable law of their countries.

2012 did not witness any court proceedings within the VEB Group falling within the definitions contained in the Federal Law “On Combating Corruption” or relating to competition prevention.

In 2012 the AML/CTF internal control rules were developed and implemented by the FCPF, EXIAR and VEB Capital, VEB-Leasing and Roseximbank approved the new version of the rules.

In 2012 employee training in anti-corruption principles and procedures including AML/CTF was conducted in 10 entities of the Group including VEB Capital, VEB-Leasing, GLOBEXBANK, SME Bank, Roseximbank, Svyaz-Bank, FCPF, EXIAR, BelVEB, Prominvestbank. During the year over 9 thousand employees were trained, almost twice as many as during the previous period when about 4.4 thousand employees were trained in AML/CTF.
3.1.2.

Combating Improper Use of Insider Information and Market Manipulation


In 2012 Vnesheconombank installed software enabling computer-based maintenance of the insider list and other processes performed to meet the applicable legal requirements. Vnesheconombank was also engaged in the improvement of its internal regulations resulting in:

• approval of the restated Insider Information List of Vnesheconombank;
• elaboration of the list of persons to be included in the Insider List and the reasons for their inclusion in and deletion from the list.

In 2012, for the purpose of exchanging experience and specifying common approaches of the VEB Group to application of laws on combating improper use of insider information and market manipulation, Vnesheconombank organized a number of training events and the respective round table inviting managers and officers of the Group members.

The VEB Group entities perform activities aimed at combating improper use of insider information and market manipulation pursuant to Federal Law No. 224-FZ dated 27 July 2010 applicable to all the Russian banks of the Group, VEB Capital, VEB-Leasing and RDIF.

In 2012 GLOBEXBANK worked out the insider information access procedure, insider information confidentiality rules and control over compliance with legal regulations of the Russian Federation on combating improper use of insider information. Syvaz-Bank made amendments to the list of insider information.

In 2012, to prevent fraud, improper use of insider information and provide for the observation of corporate ethics, Prominvestbank established a compliance unit.

In 2012 no infringement on customer privacy, loss of any data on customers, partners and other individuals and legal entities that consumed financial services was witnessed in the Group with the exception of an action for moral damage brought against Syvaz-Bank by a customer whose personal data were disclosed to a collecting agency.
3.1.3.

Procurement Management


Carrying out its procurement activities, Vnesheconombank is guided by the following principles:

- openness of procurement information;
- equality, openness, non-discrimination and avoidance of unjustified limitation of competition in respect of procurement procedure participants;
- targeted and efficient spending of funds on the procurement of goods, works and services (when necessary subject to the procured products’ life cycle) and reduction of Vnesheconombank’s costs;
- non-restricted access to the procurement procedure through establishing equal requirements to the procurement procedure participants.

Vnesheconombank annually publishes on the official website its procurement plan for the following calendar year and carries out procurement activities through bidding (auction or non-auction sales), without bidding (in the form of competitive negotiations, request for quotations, competitive selection) as well as purchasing from a single supplier that is selected based on the procurement procedure implemented by the procurement commission consisting of heads of Vnesheconombank’s departments.

Organization of Procurement Operations by VEB Group Members

Federal Law “On Procurement of Goods, Works and Services by Individual Types of Corporate Entities” No. 223-FZ dated 18 July 2011 applies to all the members of the VEB Group except VEB Innovations, BelVEB and Prominvestbank acting in accordance with the applicable national laws.

In 2012 the Group members worked to bring their internal regulatory documents governing the procurement procedures in conformity with requirements of Federal Law No. 223-FZ.
3.1.4.

Securing Confidentiality of Borrower and Partner Information

Vnesheconombank undertakes to secure confidentiality of borrower and partner information. In 2012 in accordance with requirements of the Information Security Policy, the Bank started upgrading the Internet-system “Information Security Contour” preventing confidential information leakages through e-mail.

During the period under review, Vnesheconombank also upgraded the integrated system of protecting card holder data as required by the Payments Card Industry Data Security Standard (PCI DSS). The measures undertaken enabled Vnesheconombank to obtain the PCI DSS version 2.0 compliance certificate by Visa and MasterCard.

Post-Reporting Period Events

In 2013, with a view to preventing corruption and in accordance with the applicable law of the Russian Federation, Vnesheconombank implemented a system providing for, inter alia, collection and processing of information on income, expenses, property and material liabilities of individuals applying for employment by Vnesheconombank, Vnesheconombank’s employees filling the available vacancies, their spouses and minor children and took other measures aimed at revealing and preventing corruption.
3.2. Vnesheconombank’s Cooperation with Stakeholders

Vnesheconombank acts in the interests of a wide range of stakeholders and makes every effort to anticipate their expectations when making and implementing management decisions. The process of cooperation with stakeholders is designed to build long-term credible relations eventually shaping up a favourable external and internal environment for implementation of strategic objectives faced by Vnesheconombank.

3.2.1. Top-Priority Stakeholders of Vnesheconombank

Vnesheconombank’s activities impact a wide range of external and internal stakeholders, their economic situation, quality of life and business performance. The stakeholders primarily impacted by Vnesheconombank are the Bank’s employees and borrowers and the VEB Group entities.

At the same time, Vnesheconombank is impacted by certain stakeholders, in the first place the Supervisory Board, federal authorities and investors.

A special role among Vnesheconombank’s stakeholders belongs to the Management Board and heads of VEB’s departments. The stakeholder group exerts a significant influence on Vnesheconombank’s business results and at the same time is seriously impacted by the Bank’s decisions and actions.

Top-priority stakeholders of Vnesheconombank also include regional public authorities, Russian and foreign financial institutions, international business organizations, VEB’s suppliers and contractors and the Bank’s trade union.
### Vnesheconombank’s Stakeholder Diagram

<table>
<thead>
<tr>
<th>Strong impact</th>
<th>Medium impact</th>
<th>Minor impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Government of the Russian Federation</td>
<td>• Vnesheconombank Supervisory Board</td>
<td>• Vnesheconombank Management Board</td>
</tr>
<tr>
<td>• President of the Russian Federation</td>
<td>• Ministries and other federal executive authorities</td>
<td>• Heads of Vnesheconombank’s independent divisions</td>
</tr>
<tr>
<td>• State Duma of the Russian Federation</td>
<td>• Regional authorities of the Russian Federation</td>
<td>• Vnesheconombank middle managers and executives</td>
</tr>
<tr>
<td>• Council of Federation of the Russian Federation</td>
<td>• Russian and foreign financial institutions</td>
<td>• VEB Group entities</td>
</tr>
<tr>
<td>• Rating agencies</td>
<td>• Organizations representing the global business community</td>
<td>• Vnesheconombank’s borrowers</td>
</tr>
<tr>
<td>• Audit Chamber of the Russian Federation</td>
<td>• Vnesheconombank’s suppliers and contractors</td>
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<tr>
<td>• Office of Attorney General</td>
<td>• Vnesheconombank’s Trade Union</td>
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<tr>
<td>• Public organizations</td>
<td>• Local communities in regions of Vnesheconombank project implementation</td>
<td>• Members of Vnesheconombank’s Retiree Council</td>
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<tr>
<td>• Environmental organizations</td>
<td>• Single-industry towns’ citizens</td>
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<tr>
<td>• Students and young specialists</td>
<td>• Individuals whose pension savings are in trust management by the STMC</td>
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<tr>
<td>• Mass media</td>
<td>• Higher educational and research institutions</td>
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</tbody>
</table>

Vnesheconombank’s Stakeholder Diagram is based on replies given by Vnesheconombank’s employees in questionnaires used to prepare this Report.
Stakeholder Interaction Mechanisms

In cooperation with stakeholders, Vnesheconombank uses various instruments designed both to raise public awareness of Vnesheconombank’s activities and to carry on a dialogue with various groups of top-priority stakeholders.

In compliance with the communication strategy, Vnesheconombank carries out a set of measures designed to inform public both in Russia and abroad of any significant events relating to Vnesheconombank’s activities. To this end, Vnesheconombank maintains regular interaction with mass media by issuing official information releases, holding press conferences and briefings, arranging interviews of Vnesheconombank’s top executives and experts in Russian and foreign mass media.

The Bank’s official website is an important channel of informing stakeholders of Vnesheconombank’s activities. The site regularly publishes news about the Bank’s lending and investment operations, results of pension savings investing and the current information on procurement procedures and available vacancies.

A major channel of permanent communications with stakeholders is Vnesheconombank’s call centre processing various inquiries concerning the Bank’s activities.

Vnesheconombank, on a regular basis, participates in the work of committees, commissions, workshops, forums and conferences organized by public authorities. The expert potential of Vnesheconombank is intensively used to formulate public policies including expert evaluation of draft laws and formulating the development strategies of industries and regions in areas that relate to Vnesheconombank’s priority business lines.

Vnesheconombank makes every effort to maintain cooperation with Russian and foreign development institutions including through the conclusion of bilateral and multilateral cooperation agreements and arranges events designed to exchange experience and to discuss the efficiency of economic development involving Russian and foreign financial institutions.

Post-Reporting Period Events

The system of interaction between Vnesheconombank and stakeholders will be further developed through the introduction in the VEB of the Policies of Interaction with Stakeholders, its development to be launched in 2013. The Policy will be based on recommendations of the international standard AA1000SES of AccountAbility Institute. Arrangement of the process of engagement with stakeholders within the framework of preparation by Vnesheconombank of non-financial sustainability reports should become a major component of the Policies.
3.3.

Client-Centered Practices

Establishing close interaction with stakeholders and partners is an important part of the VEB Group business practices. The Group entities on a regular basis conduct partner and customer satisfaction surveys and accept their applications, which allows to improve the consumer effect and pricing characteristics of the banking products offered by the Group entities to individuals and legal entities and the quality of customer service.

3.3.1

Assessment of Customer and Partner Satisfaction

The customer and partner satisfaction surveys are regularly conducted by all subsidiary banks of the Group providing retail services (GLOBEXBANK, Svyaz-Bank, BelVEB, Prominvestbank) and SME Bank. In 2012 the Far East and Baikal Region Development Fund also began implementing the customer and partner satisfaction survey procedures.

In 2012 the VEB Group members focused on the customer and partner interaction through telephone lines, corporate website, face-to-face meetings and interviews.

In 2012, to raise the level of customer and partner satisfaction, SME Bank approved a new code of corporate ethics including the ethical principles of customer and partner relations, Svyaz-Bank introduced the standards of telephone service quality, BelVEB specified the mechanism of individuals’ and legal entities’ complaint and request acceptance and Prominvestbank adopted the procedure of retail customer request processing. Additionally, in 2012 Prominvestbank completed putting in place a full-fledged CRM system to manage customer relations.
### Assessment of Customer and Partner Satisfaction within VEB Group Entities

<table>
<thead>
<tr>
<th></th>
<th>Hot lines</th>
<th>Corporate website</th>
<th>Face-to-face meetings</th>
<th>Interviewing</th>
<th>“Mystery consumer” method</th>
<th>Questionnaire survey</th>
<th>Focus groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLOBEX-BANK</td>
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<td>SME Bank</td>
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<td>Svyaz-Bank</td>
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<td>BelVEB</td>
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<tr>
<td>Prominvestbank</td>
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<tr>
<td>The Far East and Baikal Region Development Fund</td>
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#### 3.3.2.

### Customer and Partner Request Acceptance within VEB Group

The mechanisms of customer and partners request acceptance are used by all the subsidiary banks of the Group engaged in retail operations, i.e. VEB-Leasing, Roseximbank and the North Caucasus Development Corporation. In 2012 SME Bank and VEB Innovations started the implementation of customer and partners request acceptance mechanisms. The customer and partner requests are most frequently accepted through electronic and ordinary mail, telephone and through the corporate website.

Customer requests are recorded by all subsidiary banks of the VEB Group providing retail services. In 2012 GLOBEXBANK received 198 customer requests including 133 complaints, Svyaz-Bank — 699,584 customer requests including 3,665 complaints. BelVEB received 374 requests from legal entities and individuals, with 109 ones resulting from customer dissatisfaction. Prominvestbank received 48,963 customer requests of which service requests accounted for 84%, requests relating to products and rates — for 15.7% and customer comments for 0.2%.
Customer and Partner Request Acceptance within VEB Group

<table>
<thead>
<tr>
<th></th>
<th>E-mail</th>
<th>Ordinary mail</th>
<th>Telephone</th>
<th>Corporate website</th>
<th>Comment book</th>
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</thead>
<tbody>
<tr>
<td>VEB-Leasing</td>
<td>V</td>
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<tr>
<td>VEB Innovations</td>
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<tr>
<td>GLOBEXBANK</td>
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<tr>
<td>SME Bank</td>
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<tr>
<td>Roseximbank</td>
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<tr>
<td>Svyaz-Bank</td>
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<tr>
<td>North Caucasus Development Corporation</td>
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<tr>
<td>BelVEB</td>
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<tr>
<td>Prominvestbank</td>
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<td>V</td>
<td>V</td>
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</table>

In order to raise the level of customer satisfaction based on the requests received, BelVEB and Svyaz-Bank took steps to correct ATM errors. Furthermore, BelVEB decided to extend the working hours for individual customers in 2 branches and trained employees providing services to individuals and legal entities in sales technologies and skills.

In 2012 among the Group members that are not engaged in retail operations, most of the customer and partner requests were received by VEB-Leasing. They resulted primarily from incorrect interpretation by customers of the terms of lease agreements and insurance rules and also included repeated requests for book-keeping records and requests for modification of contracts.

Most of the customer and partner requests received in 2012 by Roseximbank, North Caucasus Development Corporation and VEB Innovations related to clarification of financing terms and conditions, and the opportunity to access state guarantees through Roseximbank. Remarkably, the above entities received no customer and partner complaints.
3.3.3.

Individual Service Practices of Subsidiary Banks

In the implementation of customer-oriented practices, the Group subsidiary banks rendering retail services focus on remote service channels and on improving their offices’ accessibility to low-mobile population. The Group subsidiary banks also offer their customers socially important banking products such as mortgage loans for disadvantaged people and education loans.

The VEB Group’s subsidiary banks engaged in retail operations generally seek to use the services of the call centres and Internet banking as primary remote service channels. Additionally, BelVEB offers online advice

GLOBEXBANK. In 2012 GLOBEXBANK continued implementing the mortgage lending program for servicemen entitled to participate in accumulative mortgage system. During the period under review, GLOBEXBANK extended 715 mortgage loans totaling RUB 1,485 bn.

Svyaz-Bank. In 2012 Svyaz-Bank extended 4,684 mortgage loans worth RUB 9 bn under the Program of Mortgage Lending for Servicemen. As of 2012 year end the loans of the type accounted for 35.9% of the Bank’s portfolio of individual loans. In 2012 Svyaz-Bank also launched a new product — “Consumer Credit for Servicemen” of up to RUB 200 thousand which may be used, inter alia, for improving the residential property purchased under the Program of Mortgage Lending for Servicemen. Also, in 2012 Svyaz-Bank offered pensioners such socially important products as “13th Pension” and “Pension Reserve”.

BelVEB. In 2012 the Bank offered individuals with dependent children special credit products aimed at easing the loan burden, first of all the so-called “Thinking about Children” product at 28.5% p.a. against 30% annual interest rate on other loans. During the term of the program, loans worth 1,446 Belorussian Rubles were extended to 228 BelVEB customers.

Prominvestbank. Prominvestbank continued to issue loans for education in the Kiev Banking College at 3% p.a. During the year 39 students received 55 tranches totaling RUB 744.3 thousand.

In 2012 for the purpose of easing the loan burden on individual borrowers, Prominvestbank extended the period of decreased interest rates on mortgage loans extended to Prominvestbank’s employees and individuals for whom Prominvestbank’s employees act as guarantors. Additionally, Prominvestbank decided to write off, in whole or in part, the debt of 59 borrowers due to the uncertainty of the Ecosorb apartment house construction. Prominvestbank also adopted individual decisions including prolongation of the deadline for loan repayment for 4 customers, restructuring loans for 35 customers, partial writing-off the debt of 24 customers who were in a financial predicament.
**VEB Group Offices Offering Improved Accessibility for Low-Mobile Persons**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of offices</td>
<td>Share in total number of offices</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>Svyaz-Bank</td>
<td>23</td>
<td>11.4%</td>
</tr>
<tr>
<td>BelVEB</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>
4.1. HR Policies

Human capital is an asset of paramount importance for accomplishing the strategic objectives faced by Vnesheconombank nationwide. Realizing the significance of the employees’ contribution to the Bank’s success, Vnesheconombank endeavours to pay them decent compensation and provide them with an enhanced social safety net, ensure occupational health and safety and facilitate their professional and personal development.

4.1.1. Responsible Labour Practices

The HR policies of Vnesheconombank are based on the Development Strategy for the Period from 2011 to 2015 and are aimed at enhancing the flexibility of the personnel management system and ensuring its rapid and effective adaptation to changes in the laws and the labor market situation. To improve the personnel management system, Vnesheconombank applies advanced approaches and best international practices.

In 2012 the Bank’s priorities in improving the personnel management system included putting in place a complete version of a new remuneration and incentive system, as well as a system of new employees adaptation.

Vnesheconombank’s HR policies are based on strict compliance with the Constitution of the Russian Federation, requirements of the Labor Code and other regulations of the Russian Federation. Vnesheconombank adheres to the principle of equal opportunities and guarantees non-discrimination with regard to gender, religion, political views, nationality, age, etc. In 2012 no breaches of labor laws by Vnesheconombank were recorded.
The fulfillment of terms and conditions of the employment contracts and the Bank’s internal regulatory documents regulating such issues as occupational health and safety, non-governmental pension benefits for employees is controlled by the trade union of Vnesheconombank. As at 01.01.2013, 915 Vnesheconombank’s employees were members of the trade union. In November 2012 the trade union and Vnesheconombank executed a new collective bargaining agreement for a term of 3 years.

In 2012 107 persons joined and 4 persons withdrew from the Bank’s trade union, the share of employees — members of the trade union growing from 39.4% as of 2011 year end to 45.3% as of 2012 year end.

In 2012, to exchange experience in efficient HR management, Vnesheconombank arranged a number of events including the 7th International Interbank Conference “Human Capital: Efficient HR Polices — Efficient Banking” and a round table on career management for the representatives of HR units of the VEB Group and other major Russian banks.

4.1.2.

Vnesheconombank’s Staff Characteristics

As at 01.01.2013, the actual headcount of Vnesheconombank was 2,022 employees including 23 part-time employees (1.14% of the actual headcount) and 57 persons employed by Vnesheconombank’s representative offices in Russia and abroad (2.82% of the actual headcount). The number of employees increased by 159 persons against 2011. The Bank’s staff mostly consists of specialists with higher education (83% of the total headcount).

The composition of Vnesheconombank’s staff did not witness any significant changes in 2012, with a slight prevalence of women employees (52.5%) and persons from 31 to 50 years old (55.9%).

In 2012 the rate of personnel turnover* in Vnesheconombank reduced to 4.57% against 5.59% during the previous period. In 2012 85 employees quit the job with Vnesheconombank (12 persons less than during the previous year).

* The rate of personnel turnover is calculated based on the number of job quitting employees, those discharged for other reasons, retired or dying during the period of employment.
Vnesheconombank Personnel Breakdown by Age (% of Actual Headcount)

- Personnel aged 30 years and under (55.9%)
- Personnel aged between 31 to 50 (24.4%)
- Personnel aged 51 years or above (19.7%)

Vnesheconombank Personnel Breakdown by Gender (% of Actual Headcount)

- Female (52.5%)
- Male (47.5%)

Share of Vnesheconombank’s Employees who Left the Bank in 2012 to Total Number of Employees (by Age Category)

- Personnel aged 30 years and under (6.5%)
- Personnel aged between 31 to 50 (2.7%)
- Personnel aged 51 years or above (5.9%)

Share of Vnesheconombank’s Employees who Left the Bank in 2012 to Total Number of Employees (by Gender)

- Male (5.1%)
- Female (3.4%)

Legend:
- Personnel aged 30 years and under
- Personnel aged between 31 to 50
- Personnel aged 51 years or above
- Female
- Male
VEB Group Staff Characteristics

As at 01.01.2013, the actual headcount of the VEB Group made 16,263 employees. The staff composition and headcount did not significantly change versus the previous period.

VEB Group Personnel Breakdown by Age

- Personnel aged 30 years and under: 16.1%
- Personnel aged between 31 to 50: 32.5%
- Personnel aged 51 years or above: 51.4%

VEB Group Personnel Breakdown by Gender (% of Actual Headcount)

- Female: 35.6%
- Male: 64.4%

Share of VEB Group Employees with Higher Education

- VEB Engineering: 91.7%
- VEB Capital: 85%
- VEB-Leasing: 88.7%
- GLOBEXBANK: 72.8%
- SME Bank: 88.5%
- Roseximbank: 83.3%
- Svyaz-Bank: 73.6%
- FCPF: 100%
- EXIAR: 99%
- Far East and Baikal Region Development Fund: 91%
- North Caucasus Development Corporation: 94.6%
- BelVEB: 83.4%
- Prominvestbank: 98%
4.1.3. Recruiting New Employees and Securing Their Adaptation

The internal regulations for Vnesheconombank staff recruiting provide for equal opportunities for all applicants and the unbiased assessment of their skills. Recruiting is primarily based on professional criteria without any preference for the local population. In 2012 Vnesheconombank performed a full cycle of assessing procedures in relation to 235 applicants for available vacancies of which 203 were employed.

The timely and proper introduction of new employees to competencies required for their business position is best achieved through the employee adaptation system providing for the assignment to each new employee of an experienced mentor occupying a similar position who bears responsibility for the new employees’ proper adaptation. In 2012 the adaptation course was conducted for 153 new employees of Vnesheconombank.
4.1.4.

Employee Remuneration and Incentive System

Developing an efficient remuneration system is a priority of Vnesheconombank’s HR policies. In 2012 Vnesheconombank continued the implementation of a new employee remuneration and incentive system intended to raise the employee motivation to achieve the Bank’s strategic objectives through quality and conscientious fulfillment of their professional functions.

The remuneration of Vnesheconombank’s employees is based on transparent standard mechanisms providing for differentiated incentives. The basic part of salaries depends on the importance of their tasks and the market average for the position whereas bonuses depend on the accomplishment of individual goals and achieving of the corporate KPIs.

In 2012 Vnesheconombank performed the first annual personnel assessment to determine the employee individual performance in 2011 subject to personal goals and the development of professional and personal competencies. The assessment results were taken as a basis for paying out individual annual bonuses.

Vnesheconombank makes every effort to recruit the best specialists offering them competitive remuneration. In 2012 the size of Vnesheconombank employees’ remuneration conformed to the industry average.

In 2012 Vnesheconombank was involved in a number of large-scale labour market surveys organized by major consulting companies. The resulting remuneration and compensation data was used for analyzing compatibility of the compensation level in Vnesheconombank with the industry average.

Vnesheconombank’s employees start with a compensation equal to at least the minimum wages paid in Moscow. In 2012 it showed RUB 14,400, 1.23 times higher than the minimum applicable from July 1, 2012 according to the agreement between the Government of Moscow, Moscow trade unions and employer associations.

Non-material incentives are an important element of Vnesheconombank’s personnel motivation system. In 2012 Vnesheconombank awarded various badges and marks of distinctions to 290 employees for conscientious and dedicated service for the Bank (14.3% of the total headcount).

Pursuant to Federal Law “On Bank for Development” No. 82-FZ dated 17 May 2007, remuneration and/or compensation payable to members of the Bank’s Supervisory Board is subject to approval by the Government of the Russian Federation. Since members of the Supervisory Board except the Chairman of Vnesheconombank are civil servants, no resolution on their remuneration in 2012 was adopted.

Information on the income, property and property obligations of the Chairman, members of the Management Board and Deputy Chairmen of Vnesheconombank, their spouses and minor children is published on an annual basis on the official website of Vnesheconombank within the scope provided for by the applicable Russian law.
Approaches to Personnel Management in the VEB Group Entities

During the period under review, the most significant changes in the personnel management system were recorded in BelVEB and Prominvestbank. They resulted from the implementation by BelVEB of the HR Policies for the Period of 2012–2016 and the regulations for the employee assessment as well as for the implementation by Prominvestbank of the Performance Management Program and a computer-based SAP HR personnel management system. A new version of the Compensation Regulations was also approved by Svyaz-Bank.

EXIAR made a committed effort to develop and put in place the key business processes of personnel management. The Agency approved the Provisions regulating EXIAR’s Personnel Remuneration and Motivation, Personnel Assessment and Personnel Training, Program of EXIAR Personnel Training and Development in 2013-2014. Also, the Agency defined the system of corporate values and worked out a model of corporate competencies.

The VEB Group members continuously implement the best practices of HR management including the employee performance and employee satisfaction assessment. In 2012 the employee performance assessment procedures were performed by SME Bank, the North Caucasus Development Corporation, EXIAR, BelVEB and Prominvestbank. The most integrated approach that included a comprehensive personnel assessment was applied by EXIAR, with the application of the 360 degree principle.

The employee satisfaction assessment was performed in 2012 by VEB Capital, SME Bank, Svyaz-Bank and BelVEB, the principal assessment procedure applied being topical interviewing. Additionally, SME Bank and Svyaz-Bank conducted comprehensive interviewing to assess employee satisfaction. Based on the obtained results and with a view to raising the team spirit, Svyaz-Bank approved the launch of the project on constructing a swimming-pool for employees.

In 2012 a number of labour disputes were recorded within the VEB Group, mostly in Prominvestbank owing to staff reduction and the unsettled matter of extra payments for the residence in the Ukrainian highlands. All the 43 individual claims filed by Prominvestbank employees are pending in court.

Individual claims for reinstating in office, remunerating for forced non-attendance and moral damage were filed in Svyaz-Bank (3 disputes, claims disallowed), BelVEB (2 claims, 1 disallowed and 1 satisfied), VEB-Leasing (1 claim partially satisfied) and GLOBEXBANK (1 claim disallowed).
4.1.5.

Qualification Enhancement Training

For the purpose of maintaining high professional skills and employee motivation, Vnesheconombank implements an integrated multi-module program of personnel training providing for both developing new skills and accumulating knowledge and ensuring high professional competitive advantages in the labour market.

In 2012 Vnesheconombank’s training events involved 1,184 employees (59% of total staff) — a significant increase on the previous period (826 employees — 44% of total staff). The average number of training hours per employee in 2012 was 33.46 hours compared to 34.3 hours in 2011.

The 2012 personnel training was organized along the following lines:

• anti-money laundering and counter-terrorist financing;
• combating improper use of insider information;
• accounting and International Financial Reporting Standards (IFRS);
• foreign languages and information technologies;
• occupational safety;
• management, finance and investments.

In 2012/2013 academic year 303 employees of Vnesheconombank attended the foreign language courses. Moreover, 4 employees were engaged in studying for MBAs, 20 employees were obtaining higher educations.

Average Number of Training Hours per Employee of Vnesheconombank in 2012 (by Employee Category)

<table>
<thead>
<tr>
<th>Category</th>
<th>Executives</th>
<th>Specialists</th>
<th>Other employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>39.7</td>
<td>34.33</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Number of Vnesheconombank’s Employees Trained between 2010 and 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees Trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,184</td>
</tr>
<tr>
<td>2011</td>
<td>826</td>
</tr>
<tr>
<td>2010</td>
<td>736</td>
</tr>
</tbody>
</table>
Personnel Training within VEB Group Entities

### Average Number of Training Hours per Employee of VEB Group (by Employee Category)

<table>
<thead>
<tr>
<th>VEB Group Entity</th>
<th>Executives</th>
<th>Specialists</th>
<th>Other employees (technicians)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEB Capital</td>
<td>8</td>
<td>54</td>
<td>62.1</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>3.5</td>
<td>17.5</td>
<td>49.14</td>
</tr>
<tr>
<td>VEB Innovations</td>
<td>4</td>
<td>9.2</td>
<td>49.14</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>8</td>
<td>15.68</td>
<td>35.5</td>
</tr>
<tr>
<td>SME Bank</td>
<td>3.9</td>
<td>20.1</td>
<td>49.14</td>
</tr>
<tr>
<td>Roseximbank</td>
<td>4.5</td>
<td>3.3</td>
<td>28.2</td>
</tr>
<tr>
<td>Svyaz-Bank</td>
<td>1.8</td>
<td>7.8</td>
<td>26.2</td>
</tr>
<tr>
<td>FCPF</td>
<td>16.6</td>
<td>33.7</td>
<td>27.3</td>
</tr>
</tbody>
</table>

The VEB Group entities devote much attention to personnel training. They give preference to various forms of professional development and enhancement. Additionally, VEB-Leasing, SME Bank, Roseximbank, BelVEB, and Prominvestbank conduct on a regular basis training programs in foreign languages, computer skills and enhancing employee competencies. In 2012 foreign language courses were attended by more than 170 employees, computer skills courses by more than 1,200 employees and over 2,500 employees were engaged in enhancing employee competencies. Apart from that, 1 employee of Svyaz-Bank was studying for MBA. In 2012 VEB-Leasing developed new training programs and introduced the ‘Development Academy’ portal. The SAP E-Learning web training program was also launched by Prominvestbank.

\[ The \text{ average number of training hours of VEB-Leasing does not include the E-Learning hours of training through the ‘Development Academy’ portal.} \]
4.1.6.

Occupational and Fire Safety

To prevent occupational injuries and diseases, Vnesheconombank on a continuous basis undertakes a set of measures to secure the protection of occupational health and safety. In 2012, 37 employees of Vnesheconombank were tested in respect of occupational safety requirements. The mandatory occupational safety briefing was conducted for 203 new employees; 48 employees were engaged in the "Minimum Fire Safety Requirements" seminar.

To secure fire safety, in 2012 an on-site emergency exercise was conducted on Vnesheconombank’s premises to check personnel and emergency unit actions in case of a fire and the efficiency of the fire protection systems, devices and equipment.

In 2012 Vnesheconombank did not record any occupational accidents. Neither supervisory bodies nor the management of Vnesheconombank received any complaints from employees concerning such issues as working conditions, labor protection and fire safety.
Occupational Health and Safety Protection within VEB Group

In 2012 most of the VEB Group members conducted occupational safety training for their employees including introductory and planned briefings, seminars and web-seminars which involved more than 7 thousand employees of the Group. About 350 employees were tested for the knowledge of occupational safety requirements.

Additionally, during the period under review the occupational certification of about 1,230 workplaces was performed by VEB Engineering, VEB-Leasing, Globexbank, SME Bank and BelVEB.

<table>
<thead>
<tr>
<th>VEB Engineering</th>
<th>2.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEB Capital</td>
<td>2.6</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>1.5</td>
</tr>
<tr>
<td>VEB Innovations</td>
<td>0</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>4</td>
</tr>
<tr>
<td>SME Bank</td>
<td>4.9</td>
</tr>
<tr>
<td>Roseximbank</td>
<td>7.9</td>
</tr>
<tr>
<td>Svyaz-Bank</td>
<td>4.8</td>
</tr>
<tr>
<td>FCPF</td>
<td>2.1</td>
</tr>
<tr>
<td>RDIF</td>
<td>0</td>
</tr>
<tr>
<td>EXIAR</td>
<td>2</td>
</tr>
<tr>
<td>North Caucasus Development Corporation</td>
<td>0.4</td>
</tr>
<tr>
<td>Far East and Baikal Region Development Fund</td>
<td>3.1</td>
</tr>
<tr>
<td>BelVEB</td>
<td>4.5</td>
</tr>
<tr>
<td>Prominvestbank</td>
<td>6.9</td>
</tr>
</tbody>
</table>

2012 witnessed major changes in the occupational health and safety management system of SME Bank which adopted a number of documents including the Mandatory Occupational Safety Briefing Program and the Provision regulating Occupational Safety Arrangement in SME Bank. Moreover, SME Bank conducted 2 personnel emergency evacuation exercises.

In 2012 the VEB Group recorded 2 accidents in Prominvestbank, one of them resulting from a road accident and the other from an employee fall from the stairs in the bank’s office in Gorlovka. All the people hurt in the accidents recovered. Following the accidents, Prominvestbank conducted extra briefings, extra training in transport occupational safety and made the slippery stairs safer through grooving.
Personnel care is a long-standing priority of Vnesheconombank’s social policies. The benefits and guarantees provided by the Bank to its employees include voluntary health insurance (VHI) programs, non-governmental pension benefits, sanatorium-resort therapy and recreation arrangement for employees and their families, employee health insurance during business and personal trips abroad, accident insurance as well as personal property and motorcar insurance. The social benefits are provided to full-time employees.

The Bank’s VHI programs include all kinds of medical care such as outpatient care, dental care, home care, emergency care, urgent and scheduled hospitalization. The integrated VHI program also includes additional options such as “antenatal care” and “obstetric aid”. Also Vnesheconombank’s employees may at their expense insure their relatives under the corporate VHI contract at reduced rates.

As of 2012 year end, the Bank’s VHI programs covered 2,328 people (including 307 retired employees — members of the Bank’s Council of Retirees and 158 employees’ children aged from 0 to 3). During the year, antenatal care was provided to 37 employees and obstetric aid to 25 employees. Individual VHI contracts at reduced rates were concluded with 243 employee relatives.

Post-Reporting Period Events

In 2013 Vnesheconombank increased the VHI limit per employee up to RUB 30 thousand exceeding that of 2012 by RUB 5 thousand

Under the program “Office Doctor” Vnesheconombank’s employees are provided with first aid in the on-site ambulance room. In autumn and winter the Bank’s employees are vaccinated against flu.

To reduce the disease rate and promote a healthy lifestyle, Vnesheconombank entered into a contract with a major fitness club chain in Moscow, under which in 2012 the Bank’s employees and their families obtained 50 club cards at reduced rates.

An integral element of Vnesheconombank’s social policies is supporting employees on a three-year child-care leave and working women with children under three by paying them monthly benefits which were increased in 2012.
In 2012 the Bank’s employees and their families were also offered an opportunity to spend their vacations at RAZVITIE LLC recreation centre in the Astrakhan Region. Vnesheconombank pays 100% of their costs and 80% of their relatives’ costs. In 2012 the centre was visited by 134 persons. Additionally, in 2012 Vnesheconombank paid for 12 vouchers for its employees and their families stay in sanatoriums of the Office of the Mayor of Moscow.

In 2012, for the purpose of further expansion of the social benefits package, Vnesheconombank developed a new recreation and rehabilitation program with a limit of RUB 5 thousand a day per employee. The Program also covers Vnesheconombank’s retirees. The limit for members of the employees’ families amounts to 4 thousand a day. The annual recreation and rehabilitation may last from 14 to 18 days.

The absenteeism rate slightly increased in 2012 to 3.6 (against 3.1 in 2011). In 2012 the number of sickness absence days was 9,188 days (versus 7,069 days in 2011).

In 2012 Vnesheconombank entered into an accident insurance contract covering 40 employees performing cash transactions and employees engaged in the Bank’s representative offices in the Russian Federation. Additionally, Vnesheconombank purchased 722 policies of cost insurance during trips beyond permanent residence and 233 motorcar insurance policies (soft-terms) for its employees.

The retirement plan is implemented by Vnesheconombank under the agreement for non-governmental pension benefits with the Non-Governmental Pension Fund Podderzhka. Under the program, Vnesheconombank makes monthly contributions to personal retirement accounts opened for the employees with the length of service of at least 1 year. The size of the contribution depends on the employees’ positions and grades. As of 2012 year end, the program covered 1,697 employees of Vnesheconombank.

The main types of benefits provided by the VEB Group members to their employees in 2012 included VHI and material aid. During the period under review, the VHI program covered over 8 thousand employees. Material aid was rendered depending upon family circumstances, to celebrate anniversaries and holidays, to employees with children, retirees, etc., with the most comprehensive package offered by BelVEB and Prominvestbank.
Benefits provided to full-time employees of VEB Group

<table>
<thead>
<tr>
<th></th>
<th>VHI</th>
<th>Mother and child welfare</th>
<th>Accident insurance</th>
<th>Retirement plan</th>
<th>Material aid</th>
<th>Sports</th>
<th>Recreation and rehabilitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEB Engineering</td>
<td>V</td>
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<tr>
<td>VEB Capital</td>
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<tr>
<td>VEB-Leasing</td>
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<tr>
<td>VEB Innovations</td>
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</tr>
<tr>
<td>GLOBEXBANK</td>
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<tr>
<td>SME Bank</td>
<td>V</td>
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<td>V</td>
</tr>
<tr>
<td>Roseximbank</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Syaz-Bank</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
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<td>RDIF</td>
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<tr>
<td>FCPF</td>
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<tr>
<td>EXIAR</td>
<td>V</td>
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<td>V</td>
</tr>
<tr>
<td>North Caucasus Development Corporation</td>
<td>V</td>
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</tr>
<tr>
<td>BelVEB</td>
<td>V</td>
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</tr>
<tr>
<td>Prominvestbank</td>
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</tbody>
</table>
Council of Vnesheconombank Retirees

Vnesheconombank renders support to retirees — members of the Council of Retirees of Vnesheconombank — who retire after reaching a certain age or due to disability (groups I and II) after at least 10 years of work with the Bank. Vnesheconombank retirees are paid annual non-governmental retirement benefits under the joint program of Vnesheconombank and the Non-Governmental Pension Fund Vnesheconomfond and are also entitled to additional benefits and guarantees including insurance under the VHI program.

As at 01.01.2013, the Non-Governmental Pension Fund Vnesheconomfond paid retirement benefits to 364 Vnesheconombank retirees, their average size making RUB 9,120.

In 2012 the Provisions regulating benefits to the members of the Council of Retirees were amended to increase the annual one-off payments, expand the list of recreation and rehabilitation benefits under the VHI program and provide for the retirees’ recreation at RAZVITIE LLC recreation centre.

Traditionally, Vnesheconombank organizes for its retirees corporate events devoted to the Great Patriotic War Victory Day and the New Year. In 2012 during these events, 15 members of the Council of Retirees were awarded an honourable title Exemplary Employee of Vnesheconombank. The size of the non-governmental retirement benefits was increased by RUB 5 thousand.

Corporate Culture

For years, Vnesheconombank has been maintaining long-standing traditions based on mutual respect and mutual aid that contribute to the successful and fruitful activities. Vnesheconombank’s employees are united by the feeling of pride for the achievements significantly contributing to the country’s development.

An integral part of the Bank’s corporate culture are major sporting and cultural events involving personnel of Vnesheconombank and other Group entities. Joint leisure activities make an additional contribution to shaping up in the VEB Group common corporate values and strengthening interaction among personnel of the Group entities.

In September 2012 the sports festival “Partners of the 21st Century” was held for Vnesheconombank employees and members of their families involving about 4 thousand people. An important event in the Group’s corporate life was the New Year party devoted also to the 5th anniversary of the Bank’s operation as a national development institution.
4.1.10.

Corporate Volunteering

Volunteering is an important element of the Bank’s corporate culture. Involvement in volunteering enables Vnesheconombank’s employees to demonstrate their active positions helping those in a predicament.

2012 witnessed a considerable intensification of volunteering in Vnesheconombank manifesting itself in the increased number of organized events and the expansion of the scope of volunteering.

In 2012 Vnesheconombank organized 29 volunteering actions, nearly twice as many as during the previous period. Additionally Vnesheconombank’s employees initiated new directions of volunteering including aid to the nursing home in Ostashevo, Volokolamski District, Moscow Region and the homeless pet shelter Alma.

Major lines of Vnesheconombank Corporate Volunteering in 2012 (% of the total events)

- Helping orphanage children in the Moscow Region 41.4%
- Supporting the nursing home in Ostashevo 6.9%
- Rendering help to employees and their families 6.9%
- Blood donation 3.4%
- Assistance to the Russian Orthodox Church 6.9%
- Aid to homeless animal shelters 13.8%
- Relief to flood victims in the Krasnodar Territory 20.7%

In 2012 the money collected by Vnesheconombank’s employees was spent to buy special beds for bed-ridden patients, new linoleum floor covering and to repair the treatment room in the nursing home in Ostashevo, Volokolamski District, Moscow Region. Donations were also sent to the homeless pet shelter “Alma” for the building restoration after fire and purchasing pet food.
Vnesheconombank’s employees were quick to respond to the flood in the Krasnodar Territory collecting money and humanitarian aid for the flood victims. The action involved over 300 Vnesheconombank employees

In 2012, developing the traditional lines of volunteer activities, Vnesheconombank’s employees continued supporting children from the Voskresensk orphanage. Within the framework of traditional annual initiatives such as “Birthday” and “New Year”, the children were given presents and taken to the Moon Theatre and the planetarium. A paintball tournament involving the Bank’s corporate team “Web” was arranged. Additionally, in the summer the children were sent to the vacation hotel “Sheksna” in Sochi.

Corporate Volunteering within VEB Group

In 2012 volunteer actions became more popular among the VEB Group entities. Apart from Prominvestbank’s and SME Bank’s employees already involved in the 2011 volunteer projects, VEB-Leasing, VEB Capital and Svyaz-Bank joined the activities in 2012.

Under the 1st volunteer action “True Miracle” organized by VEB-Leasing in December 2012, employees collected money for the Children’s Infectious Hospital named after N.F. Filatov, handicapped children of the Krasnoselski District, Saint Petersburg, and children with orthopedic diseases.

Actions to collect money for flood victims in the Krasnodar Territory were conducted by SME Bank, Svyaz-Bank and VEB Capital. Additionally, SME Bank employees continued supporting the Yelatomski orphanage school.

The volunteer campaign organized in 2012 by Prominvestbank was aimed at collecting money for the orphanage in Denishi, Zhitomir Region. Prominvestbank employees arranged the production of the play “Cashless Love”, the box-office receipts to be spent on the orphanage repairs.

Post-Reporting Period Events

In 2012 Vnesheconombank came up with the initiative to promote corporate volunteering within the VEB Group. Involvement in joint volunteer activities will bring people together and strengthen VEB employees’ team spirit
4.2.

Environmental Initiatives

The global environmental threats faced by contemporary society show that each particular entity should reduce its ecological footprint, whether it is engaged in production or purely office work. Recognizing the relevance of the issue, Vnesheconombank embarked on developing its own corporate environmental policies thus specifying the benchmarks for further ecological culture development in the Russian business community.

4.2.1.

Management of Vnesheconombank’s Environmental Impacts

In 2012 Vnesheconombank formulated draft corporate environmental policies designed to minimize the environmental impacts of the Bank’s business activities. The policies provide for taking a number of organizational, procedural and control measures to optimize the volume of consumed resources, reduce the carbon footprint, use environmentally safe products, reduce the waste volume, etc. The principal elements of the corporate environmental policies are as follows:

- implementing the “life cycle” approach to mitigate the negative environmental impact of Vnesheconombank’s business activities at all stages of the life cycle of employed products and services, from their procurement to the termination of employment and recycling;

- “green procurement policies” implying standard requirements to products, works and services procured by Vnesheconombank and environmental friendliness criteria for providers;

- sustainable resource exploitation aimed at the implementation of administrative tools and technologies enabling the efficient consumption of power, heat, water, paper, inventories and optimization of the corporate car fleet operation;

- waste management designed to reduce waste volume and increase the share of waste subject to reuse or recycling and identify alternative modes of utilizing retired assets;

- recording environment protection costs to implement a system of Vnesheconombank’s capital and operating expenditure record-keeping including the cost of waste management, investments in energy-saving equipment and technologies, improving the environmental management system and environment pollution charges.
Basic Principles of Vnesheconombank’s Corporate Environmental Policies

<table>
<thead>
<tr>
<th>Environmental thinking</th>
<th>Any business decisions of Vnesheconombank relating to water, power and heat consumption, car fleet operation and inventory employment, procurement policy, waste disposal, etc. are made subject to their environmental impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of advanced “green office” technologies</td>
<td>The corporate environmental policy is implemented based on the best practices of Russian and foreign financial institutions and advanced “green office” technologies</td>
</tr>
<tr>
<td>Ensuring a favourable working environment</td>
<td>The measures aimed at minimizing a negative environmental impact are taken provided an uninterrupted power and water supply is ensured and favourable working conditions provided for VEB’s meet the applicable health standards</td>
</tr>
<tr>
<td>Publicity</td>
<td>Reports on the corporate environmental policy implementation are annually published within the framework of the Bank’s sustainability report preparation</td>
</tr>
</tbody>
</table>

4.2.2.

Environmental Impact Management within VEB Group

The VEB Group entities undertake on a continuous basis actions designed to reduce the consumption of heat and power, water, paper and motor fuel. In 2012 a number of the Group members prepared and implemented internal regulatory documents containing environmental components including:

- the strategy of car fleet renewal subject to the current environmental indicators of SME Bank;
- the executive order of Prominvestbank director for finance and operations “On Taking Actions for the Optimization of the Cost of Maintaining Premises not Used for Operations”.

In 2012 the VEB Group entities were not charged penalties or subjected to non-financial sanctions for non-compliance with the applicable environmental law. The 2012 environmental expenses of the VEB Group entities amounted to RUB 46.284 mn\(^{10}\) including purchasing of energy-saving office equipment, motor cars meeting at least the Euro 4 environmental standard, waste management, etc.

---

\(^{10}\) The aggregate environmental expenses do not include those of VEB Engineering, VEB-Leasing, VEB Innovations, RDIF and the Far East and Baikal Region Development Fund.
### Actions reducing resource consumption within VEB Group

<table>
<thead>
<tr>
<th></th>
<th>Using energy-saving equipment</th>
<th>Regular preventive maintenance</th>
<th>Heat supply and ventilation adjustment</th>
<th>Office building repairs utilizing advanced insulating materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEB-Leasing</td>
<td></td>
<td></td>
<td></td>
<td>V</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>SME Bank</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Svoya-Bank</td>
<td></td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>EXIAR</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>North Caucasus Development Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BelVEB</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
</tbody>
</table>

### Paper saving actions within VEB Group

<table>
<thead>
<tr>
<th></th>
<th>Electronic document management</th>
<th>Duplexing</th>
<th>Rough copy use</th>
<th>Specifying paper allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEB-Leasing</td>
<td>V</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME Bank</td>
<td>V</td>
<td>V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roseximbank</td>
<td>V</td>
<td>V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Svoya-Bank</td>
<td>V</td>
<td>V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FCPF</td>
<td></td>
<td>V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXIAR</td>
<td>V</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Paper saving actions within VEB Group

<table>
<thead>
<tr>
<th></th>
<th>Electronic document management</th>
<th>Duplexing</th>
<th>Rough copy use</th>
<th>Specifying paper allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Caucasus Development Corporation</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td></td>
</tr>
<tr>
<td>BelVEB</td>
<td>V</td>
<td></td>
<td></td>
<td>V</td>
</tr>
<tr>
<td>Far East and Baikal Region Development Fund</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td></td>
</tr>
</tbody>
</table>

### Actions reducing fuel consumption and CO₂ emission within VEB Group

<table>
<thead>
<tr>
<th></th>
<th>Replacing obsolete transport with cars meeting at least Euro 4 environmental standard</th>
<th>Use of fuel meeting Euro 4 environmental standard</th>
<th>Optimizing of company vehicle routes</th>
<th>Regular preventive maintenance</th>
<th>Fixing fuel consumption limit</th>
<th>Reducing business trips through use of state-of-the-art communications</th>
</tr>
</thead>
<tbody>
<tr>
<td>VEB-Leasing</td>
<td></td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>SME Bank</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Roseximbank</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Svyaz-Bank</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>North Caucasus Development Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BelVEB</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td>Far East and Baikal Region Development Fund</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
<td>V</td>
</tr>
</tbody>
</table>
4.2.3.

Consumption of Resources

Consumption of resources (electricity, heat and water) is metered in 2 office buildings owned by Vnesheconombank located at:

- 9, Prospekt Akademika Sakharova, (occupying a total of 33,437.5 square meters);
- 8, ul. Serpukhovsky Val, (occupying a total of 1,335.7 square meters).

The actual consumption of electricity, heat and water in leased premises is not metered. The cost of consumed resources is included in the rent or paid as a fixed amount of reimbursement for operating expenses.

In 2012 the Bank employees were accommodated in the repaired “L” zone of Vnesheconombank’s building located at: 9, Prospekt Akademika Sakharova. The seating capacity of the “L” zone increased from 30% in 2011 to 98% in 2012.

The “L” zone expansion in 2012 resulted in the growing water and heat consumption aggravated by unfavourable weather conditions.

Owing to the replacement of outdated copiers and office equipment with energy-efficient equipment Vnesheconombank managed to avoid increased power consumption.

Post-Reporting Period Events

In 2013 Vnesheconombank performed a fuel-and-power consumption survey resulting in the issuance of a fuel-and-power consumption certificate and development of the Energy Saving and Energy Efficiency Program aimed at compliance with organizational, legal, economic, scientific and technical requirements providing for energy saving through the use of identified energy-saving potential. The Program embraces the period of up to 2017 enabling a 15% reduction in fuel-and-power consumption.
In 2012 the entire VEB Group saw the growth of electricity and heat consumption and lower water consumption.

The most significant electricity and heat consumption growth was recorded in GLOBEXBANK and Prominvestbank resulting respectively from the commissioning of a new office building and the increased number of occupied premises.

At the same time, Prominvestbank showed a considerable reduction in water consumption owing to control over hot and cold water use and timely maintenance of plumbing fixtures.

<table>
<thead>
<tr>
<th>Year</th>
<th>Power consumption within VEB Group, GJ</th>
<th>Heat consumption within VEB Group, GJ</th>
<th>Water consumption within VEB Group, m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>68,375.04</td>
<td>76,754.8</td>
<td>67,802.3</td>
</tr>
<tr>
<td>2011</td>
<td>65,676.08</td>
<td>53,753.43</td>
<td>83,689.67</td>
</tr>
<tr>
<td>2010</td>
<td>58,325.02</td>
<td>51,303.98</td>
<td>91,169.8</td>
</tr>
</tbody>
</table>

In 2012 the VEB Group modified the resource consumption calculation procedure to include in non-financial reports information on resource consumption only by the entities owning the office space. Therefore, the 2012 consolidated Group data contain resource consumption by GLOBEXBANK, BelVEB and Prominvestbank.
4.2.4. Paper Consumption

In 2012 Vnesheconombank managed to significantly reduce its paper consumption owing to the transition to electronic document management. As of 2012 year end, the computer-based documentation management system was used by 1,678 employees (83%). The system also supports the iPAD electronic documentation processing by Vnesheconombank’s administration.

The transition to electronic documentation management resulted in the paper consumption reduction by 13.1 tonnes, an equivalent of 223 trees

Vnesheconombank procures paper products from the companies pursuing responsible environmental and social policies. The paper used by Vnesheconombank is manufactured in accordance with the advanced environmental requirements and certified as compliant with the international standards, including Nordic Swan, EU Flower, PEFC.
Paper consumption by Vnesheconombank, t

<table>
<thead>
<tr>
<th>Year</th>
<th>Paper Consumption (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>72.6</td>
</tr>
<tr>
<td>2011</td>
<td>85.7</td>
</tr>
<tr>
<td>2010</td>
<td>77.7</td>
</tr>
</tbody>
</table>

Paper Consumption within VEB Group

2012 witnessed the growth of paper consumption by most of the VEB Group entities except VEB Capital which reduced its paper consumption.

The most significant paper consumption growth was recorded in BelVEB (due to the customer base expansion and restyling), VEB-Leasing (due to the increased number of transactions) and GLOBEXBANK.

Paper consumption within VEB Group, t

<table>
<thead>
<tr>
<th>Year</th>
<th>Paper Consumption (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>454.59</td>
</tr>
<tr>
<td>2011</td>
<td>387.75</td>
</tr>
<tr>
<td>2010</td>
<td>419.28</td>
</tr>
</tbody>
</table>

*Consolidated paper consumption data reflects all VEB Group entities except RDIF (during the previous period paper consumption data was not included for FCPF, EXIAR, VEB Innovations and the Far East and Baikal Region Development Fund, a reason for the total Group paper consumption growth in 2012).*
4.2.5.

Waste Disposal

In 2012 Vnesheconombank prepared and had approved by Rosprirodnadzor for the Central Federal District the Regulations for Waste Disposal Process Supervision and the 2012 regular technical report on the process consistency and waste generation.

Vnesheconombank’s waste with the exception of fluorescent mercury-containing tubes does not pose any environmental threat and relates to hazard classes III, IV and V. Waste is disposed by specialized entities holding appropriate licenses. Paper waste (documentation) is delivered for recycling.

In 2012 Vnesheconombank paid RUB 2,019 mn in charges for negative environmental impact, the bulk (RUB 2,015 mn) relating to waste disposal. No fines were imposed on Vnesheconombank for breaching the Law on Environmental Protection and Natural Resource Management.

Aggregate Volume of Production and Consumption Waste within VEB Group

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extra-hazardous waste (hazard class I)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vnesheconombank</td>
<td>2.650</td>
<td>2.804</td>
<td>3.708</td>
</tr>
<tr>
<td>Group entities</td>
<td>-</td>
<td>4.082</td>
<td>5.458</td>
</tr>
<tr>
<td>Mercury-containing waste (fluorescent lamps), pieces</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vnesheconombank</td>
<td>2.650</td>
<td>2.804</td>
<td>3.708</td>
</tr>
<tr>
<td>Group entities</td>
<td>-</td>
<td>4.082</td>
<td>5.458</td>
</tr>
<tr>
<td>Low-hazard waste (hazard class IV)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solid waste</td>
<td>453.9</td>
<td>587.7</td>
<td>664.2</td>
</tr>
<tr>
<td>Non-hazardous waste (hazard class V)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper waste (documentation), t</td>
<td>22.8</td>
<td>29.9</td>
<td>24.8</td>
</tr>
</tbody>
</table>

Consolidated mercury-containing waste data include SME Bank, Svyaz-Bank, EXIAR, BelVEB and Prominvestbank. Solid waste data include SME Bank, Roseximbank, Svyaz-Bank, EXIAR, BelVEB and Prominvestbank (except the 2012 solid waste data for Prominvestbank). Paper waste data include Roseximbank, Svyaz-Bank and BelVEB.
4.2.6.

Air Pollutant Emission

Vnesheconombank has in place only mobile sources of pollutant emissions, namely: transport. 2012 witnessed the growth of total distance traveled by transport and fuel consumption deriving from an increase in the number of business trips. It should be noted that the fuel consumption per 1 km remained at the 2011 level.

Increased fuel consumption resulted in CO₂ emissions growth by 63.6 t against the previous period. The fines for air pollution imposed on Vnesheconombank in 2012 amounted to RUB 4.4 thousand.

In 2012, to reduce the air pollutant emissions, Vnesheconombank continued replacement of the obsolete car fleet by the purchase of transport complying at least with the Euro 4 environmental standard and high-powered cars complying at least with the Euro 5 environmental standard.

In the future, Vnesheconombank plans to continue actions aimed at reducing CO₂ emissions including by way of:

- purchasing fuel meeting at least the Euro 4 environmental standard;
- purchasing transport complying with at least the Euro 4 environmental standard;
- reducing the distance traveled and the duration of parking with a working engine.

### Total Distance Traveled, Fuel Consumption and CO₂ Emissions by Vnesheconombank’s Motor Vehicles

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Distance Traveled, thou km</th>
<th>Fuel Consumption, thou l</th>
<th>CO₂ Emissions, t</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,792.7</td>
<td>786.3</td>
<td>4,541.7</td>
</tr>
<tr>
<td>2011</td>
<td>1,859.6</td>
<td>818.5</td>
<td>4,708.9</td>
</tr>
<tr>
<td>2012</td>
<td>1,923.2</td>
<td>846.5</td>
<td>4,910.2</td>
</tr>
</tbody>
</table>

CO₂ emissions, t  
Total fuel consumption, thou l  
Total distance traveled, thou km
## Total Distance Traveled, Fuel Consumption and CO₂ Emissions by VEB Group’s Motor Vehicles

2012 saw a slight growth of the total distance traveled, fuel consumption and CO₂ emissions within the VEB Group, primarily in BelVEB (due to the opening of new customer service centres) and Prominvestbank.

The aggregate growth was also caused by the consolidation of information on the North Caucasus Development Corporation and EXIAR which was not included during the previous period.

At the same time certain entities of the Group (VEB Engineering and VEB Capital) showed a considerable reduction in the total distance traveled and fuel consumption.

### Total Distance Traveled, Fuel Consumption and CO₂ Emissions by VEB Group’s Motor Vehicles

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ emissions, t</th>
<th>Total fuel consumption, thou l</th>
<th>Total distance traveled, thou km</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>4,639.13</td>
<td>2,041.89</td>
<td>12,174.7</td>
</tr>
<tr>
<td>2011</td>
<td>4,321.05</td>
<td>1,901.87</td>
<td>11,294.02</td>
</tr>
<tr>
<td>2010</td>
<td>4,110.44</td>
<td>1,806.43</td>
<td>10,900.88</td>
</tr>
</tbody>
</table>

Consolidated data does not include RDIF and VEB Innovations.
### Appendices

#### Table of Report Compliance with GRI Guidelines and Financial Services Sector Supplement

<table>
<thead>
<tr>
<th>№</th>
<th>Disclosure/GRI Performance Indicator</th>
<th>Pages of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Statement from the most senior decision-maker of the organization about the relevance of sustainability for the organization and its strategy</td>
<td>p. 4–7</td>
</tr>
<tr>
<td>1.2</td>
<td>Description of key impacts, risks, and opportunities</td>
<td>p. 10–14, 18–26</td>
</tr>
<tr>
<td>2.1</td>
<td>Name of the organization</td>
<td>p. 8–9, 148</td>
</tr>
<tr>
<td>2.2</td>
<td>Primary brands, types of products and/or services</td>
<td>p. 10–19, 27–32</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organization</td>
<td>p. 10–14</td>
</tr>
<tr>
<td>2.4</td>
<td>Location of the organization's headquarters</td>
<td>p. 148</td>
</tr>
<tr>
<td>2.5</td>
<td>Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report</td>
<td>p. 10–14</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership and legal form</td>
<td>p. 8–9, 148</td>
</tr>
<tr>
<td>2.7</td>
<td>Markets served</td>
<td>p. 10–14, 27–32</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the reporting organization</td>
<td>p. 33–64, 70–89, 108–110</td>
</tr>
<tr>
<td>2.9</td>
<td>Significant changes during the reporting period regarding size, structure, or ownership</td>
<td>p. 10–14</td>
</tr>
<tr>
<td>2.10</td>
<td>Awards received in the reporting period</td>
<td>p. 27–32</td>
</tr>
<tr>
<td>3.1</td>
<td>Reporting period for information provided</td>
<td>p. 8–9</td>
</tr>
<tr>
<td>3.2</td>
<td>Date of most recent previous report</td>
<td>p. 8–9</td>
</tr>
<tr>
<td>3.3</td>
<td>Reporting cycle</td>
<td>p. 8–9</td>
</tr>
<tr>
<td>3.4</td>
<td>Contact point for questions regarding the report or its contents</td>
<td>p. 8–9, 148</td>
</tr>
<tr>
<td>3.5</td>
<td>Process for defining the report content</td>
<td>p. 8–9</td>
</tr>
<tr>
<td>3.6</td>
<td>Boundary of the report</td>
<td>p. 8–9</td>
</tr>
<tr>
<td>№</td>
<td>Disclosure/GRI Performance Indicator</td>
<td>Pages of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>----</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.7</td>
<td>State any specific limitations on the scope or boundary of the report</td>
<td>p. 8–9</td>
</tr>
<tr>
<td>3.8</td>
<td>Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations</td>
<td>p. 8–14</td>
</tr>
<tr>
<td>3.9</td>
<td>Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report</td>
<td>p. 8–9, 23–24</td>
</tr>
<tr>
<td>3.10</td>
<td>Explanations of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement</td>
<td>None</td>
</tr>
<tr>
<td>3.11</td>
<td>Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report</td>
<td>p. 8–9, 23–24, 129</td>
</tr>
<tr>
<td>3.12</td>
<td>Table identifying the location of the Standard Disclosures in the report</td>
<td>p. 135–144</td>
</tr>
<tr>
<td>3.13</td>
<td>Policy and current practice with regard to seeking external assurance for the report</td>
<td>p. 146–147</td>
</tr>
<tr>
<td>4.1</td>
<td>Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight</td>
<td>p. 15–19</td>
</tr>
<tr>
<td>4.2</td>
<td>Indicate whether the Chair of the highest governance body is also an executive officer</td>
<td>p. 15–19</td>
</tr>
<tr>
<td>4.3</td>
<td>For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members</td>
<td>Not applicable, since Vnesheconombank’s corporate structure does not provide for a unitary board structure.</td>
</tr>
<tr>
<td>4.4</td>
<td>Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body</td>
<td>p. 15–19, 113</td>
</tr>
<tr>
<td>4.5</td>
<td>Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization’s performance</td>
<td>p. 112</td>
</tr>
<tr>
<td>4.6</td>
<td>Processes in place for the highest governance body to ensure conflicts of interest are avoided</td>
<td>p. 15–19</td>
</tr>
<tr>
<td>4.7</td>
<td>Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization’s strategy on economic, environmental, and social topics</td>
<td>p. 15–19</td>
</tr>
</tbody>
</table>
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation

4.9 Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles

4.10 Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance

4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization

4.12 Externally developed economic, environmental, and social charters, principles or other initiatives to which the organization subscribes or endorses

4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations

4.14 List of stakeholder groups engaged by the organization

4.15 Basis for identification and selection of stakeholders with whom to engage

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>4.8</td>
<td>Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation</td>
<td>p. 10–14, 22–32</td>
</tr>
</tbody>
</table>
| 4.9 | Procedures of the highest governance body for overseeing the organization’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles | p. 22–32  
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | p. 18–19, 27–32, 124–127  
Vnesheconombank does not directly address the precautionary principle to its activities. Approach to the risk management is described in the Annual Report and the issuer’s statements available from: www.veb.ru/about/annual. |
<p>| 4.12 | Externally developed economic, environmental, and social charters, principles or other initiatives to which the organization subscribes or endorses | p. 24–32, 80–82 |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations | p. 24–27, 41–42, 80–82 |
| 4.14 | List of stakeholder groups engaged by the organization | p. 99–101 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | p. 99–101 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | p. 99–106, 113 |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting | p. 8–9 |</p>
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<td><strong>GRI Financial Services Sector Supplement</strong></td>
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<tr>
<td>FS1</td>
<td>Policies with specific environmental and social components applied to business lines</td>
<td>p. 20–32, 124–125</td>
</tr>
<tr>
<td>FS2</td>
<td>Procedures for assessing and screening environmental and social risks in business lines</td>
<td>p. 27–32, 77–79</td>
</tr>
<tr>
<td>FS3</td>
<td>Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions</td>
<td>p. 31–32</td>
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<tr>
<td>FS4</td>
<td>Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines</td>
<td>p. 23–24, 114–115</td>
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<tr>
<td>FS5</td>
<td>Interactions with clients/investees/business partners regarding environmental and social risks and opportunities</td>
<td>p. 22–32, 102–106</td>
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<tr>
<td>FS6</td>
<td>Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector</td>
<td>p. 27–40, 56–58, 70–79</td>
</tr>
<tr>
<td>FS7</td>
<td>Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose</td>
<td>p. 33–46, 51–64, 85–89, 102–106</td>
</tr>
<tr>
<td>FS8</td>
<td>Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose</td>
<td>p. 47–50</td>
</tr>
<tr>
<td>FS13</td>
<td>Access points in low-populated or economically disadvantaged areas by type</td>
<td>p. 36–40</td>
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<tr>
<td>FS14</td>
<td>Initiatives to improve access to financial services for disadvantaged people</td>
<td>p. 102–106</td>
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<tr>
<td>FS16</td>
<td>Initiatives to enhance financial literacy by type of beneficiary</td>
<td>p. 63–69, 77</td>
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**Economic Performance Indicators**

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</thead>
<tbody>
<tr>
<td>EC1</td>
<td>Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments</td>
<td>p. 90–93</td>
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</table>

See also Vnesheconombank’s Annual Report 2012 at: http://www.veb.ru/about/annual/.
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<tr>
<td>EC3</td>
<td>Coverage of the organization’s defined benefit plan obligations</td>
<td>p. 118–121</td>
</tr>
<tr>
<td>EC5</td>
<td>Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation</td>
<td>p. 112</td>
</tr>
<tr>
<td>EC7</td>
<td>Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation</td>
<td>p. 111</td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily of public benefit through commercial, in-kind, or pro bono engagement</td>
<td>p. 27–28, 33–40, 47–50, 59–64, 83, 90–93, 102–106</td>
</tr>
<tr>
<td>EC9</td>
<td>Understanding and describing significant indirect economic impacts, including the extent of impacts</td>
<td>p. 33–64, 70–84</td>
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### Environmental Performance Indicators

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<th>Performance Indicator</th>
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<tr>
<td>EN1</td>
<td>Management Approach</td>
<td>p. 20–32, 124–127</td>
</tr>
<tr>
<td>EN2</td>
<td>Materials used by weight or volume</td>
<td>p. 130–131, 133–134</td>
</tr>
<tr>
<td>EN3</td>
<td>Percentage of materials used that are recycled input materials</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries use any materials classified as recycled or reused waste.</td>
</tr>
<tr>
<td>EN4</td>
<td>Direct energy consumption by primary energy source</td>
<td>p. 128–130</td>
</tr>
<tr>
<td>EN5</td>
<td>Indirect energy consumption by primary source</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries use any nonrenewable energy sources.</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives</td>
<td>p. 125–129</td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved</td>
<td>p. 133–134</td>
</tr>
<tr>
<td>EN8</td>
<td>Total water withdrawal by source</td>
<td>Vnesheconombank and VEB Group subsidiaries entered into contracts for utility services including water supply.</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries have significant impacts on any water bodies in the course of their business.</td>
</tr>
<tr>
<td>№</td>
<td>Disclosure/GRI Performance Indicator</td>
<td>Pages of the Report/Comments and Additional Information/References to Other Sources</td>
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</tr>
<tr>
<td>EN10</td>
<td>Percentage and total volume of water recycled and reused.</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries have significant impacts on any water bodies in the course of their business.</td>
</tr>
<tr>
<td>EN11</td>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries operate in protected areas and areas of high biodiversity value.</td>
</tr>
<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries operate in protected areas and areas of high biodiversity value.</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries have impacts on biodiversity in the course of their business.</td>
</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries have impacts on biodiversity in the course of their business.</td>
</tr>
<tr>
<td>EN15</td>
<td>Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries have impacts on biodiversity in the course of their business.</td>
</tr>
<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions by weight</td>
<td>The total volume of the Group’s indirect emissions is 13,143.2 tonnes of CO2 equivalent. Emissions are calculated using the method of Intergovernmental Panel on Climate Change: <a href="http://www.ipcc.ch/home_languages_main_russian.shtml#UG671pgyKIZ">http://www.ipcc.ch/home_languages_main_russian.shtml#UG671pgyKIZ</a>.</td>
</tr>
<tr>
<td>EN17</td>
<td>Other relevant indirect greenhouse gas emissions by weight</td>
<td>p. 133–134</td>
</tr>
<tr>
<td>EN18</td>
<td>Initiatives to reduce greenhouse gas emissions and reductions achieved</td>
<td>p. 128–130,133–134</td>
</tr>
<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances by weight</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries produce emissions of ozone-depleting substances in the course of their business.</td>
</tr>
<tr>
<td>EN20</td>
<td>NOx, SOx, and other significant air emissions by type and weight</td>
<td>Neither Vnesheconombank nor VEB Group subsidiaries produce significant air emissions in the course of their business.</td>
</tr>
<tr>
<td>№</td>
<td>Disclosure/GRI Performance Indicator</td>
<td>Pages of the Report/Comments and Additional Information/References to Other Sources</td>
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</tbody>
</table>
| EN21 | Total water discharge by quality and destination                                                                                                                                                                                  | p. 128–130  
Vnesheconombank and VEB Group subsidiaries entered into contracts for utility services including water discharge. The volume of discharge is equal to the volume of consumption. |
| EN22 | Total weight of waste by type and disposal method                                                                                                                                                                                 | p. 132  
In 2012, no significant spills were recorded in Vnesheconombank and VEB Group subsidiaries. |
| EN23 | Total number and volume of significant spills                                                                                                                                                                                   | In 2012, no significant spills were recorded in Vnesheconombank and VEB Group subsidiaries. |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | Neither Vnesheconombank nor VEB Group subsidiaries are engaged in any activities related to hazardous waste. |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff. | Neither Vnesheconombank nor VEB Group subsidiaries have significant impacts on any water bodies in the course of their business. |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.                                                                                                                         | p. 124–134  
This indicator is not relevant for Vnesheconombank and VEB Group subsidiaries. |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category.                                                                                                                                         | p. 125–127,132  
This indicator is not relevant for Vnesheconombank and VEB Group subsidiaries. |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.                                                                                   | p. 125–134  
Neither Vnesheconombank nor VEB Group subsidiaries are engaged in any activities related to hazardous waste. |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.                                            | p. 125–127  
Neither Vnesheconombank nor VEB Group subsidiaries are engaged in any activities related to hazardous waste. |
| EN30 | Total environmental protection expenditures and investments by type.                                                                                                                                                           | p. 125–127  
Neither Vnesheconombank nor VEB Group subsidiaries are engaged in any activities related to hazardous waste. |

### Labor Practices Performance Indicators

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<thead>
<tr>
<th>Management Approach</th>
<th>p. 107–108,113</th>
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</thead>
<tbody>
<tr>
<td>LA1 Total workforce by employment type, employment contract, and region</td>
<td>p. 108–110</td>
</tr>
<tr>
<td>LA2 Total number and rate of employee turnover by age group, gender, and region</td>
<td>p. 108–111</td>
</tr>
<tr>
<td>Nº</td>
<td>Disclosure/GRI Performance Indicator</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations</td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements</td>
</tr>
<tr>
<td>LA5</td>
<td>Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements</td>
</tr>
<tr>
<td>LA7</td>
<td>Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region</td>
</tr>
<tr>
<td>LA8</td>
<td>Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases</td>
</tr>
<tr>
<td>LA9</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
</tr>
<tr>
<td>LA10</td>
<td>Average hours of training per year per employee, by employee category</td>
</tr>
<tr>
<td>LA11</td>
<td>Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
</tr>
<tr>
<td>LA13</td>
<td>Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity</td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio of basic salary of men to women by employee category</td>
</tr>
</tbody>
</table>

**Human Rights Performance Indicators**

<table>
<thead>
<tr>
<th>Nº</th>
<th>Human Rights Performance Indicators</th>
<th>Pages of the Report/Comments and Additional Information/References to Other Sources</th>
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<tbody>
<tr>
<td></td>
<td>Management Approach</td>
<td>p. 22–26, 107–108</td>
</tr>
<tr>
<td>HR4</td>
<td>Total number of incidents of discrimination and actions taken</td>
<td>No incidents of gender, race, or nationality discrimination were revealed in the practices of Vnesheconombank.</td>
</tr>
<tr>
<td>№</td>
<td>Disclosure/GRI Performance Indicator</td>
<td>Pages of the Report/Comments and Additional Information/References to Other Sources</td>
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</tr>
<tr>
<td>HR5</td>
<td>Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights</td>
<td>Neither Vnesheconombank nor its subsidiaries are engaged in any activities in which the right to exercise freedom of association and collective bargaining may be at risk.</td>
</tr>
<tr>
<td>HR6</td>
<td>Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor</td>
<td>Neither Vnesheconombank nor its subsidiaries are involved in any activities which may have significant risk for incidents of child labor.</td>
</tr>
<tr>
<td>HR7</td>
<td>Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor</td>
<td>Neither Vnesheconombank nor its subsidiaries are engaged in any activities which may have significant risk for incidents of forced or compulsory labor.</td>
</tr>
<tr>
<td>HR9</td>
<td>Total number of incidents of violations involving rights of indigenous people and actions taken</td>
<td>Neither Vnesheconombank nor its subsidiaries are engaged in any activities which may have significant risk for incidents of violations involving rights of indigenous people.</td>
</tr>
</tbody>
</table>

**Society Performance Indicators**

<table>
<thead>
<tr>
<th>Management Approach</th>
<th>p. 22–26, 94–98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting</td>
<td>p. 31–32, 36–37, 61–63</td>
</tr>
<tr>
<td>Percentage of employees trained in organization’s anti-corruption policies and procedures</td>
<td>p. 94–95</td>
</tr>
<tr>
<td>Actions taken in response to incidents of corruption</td>
<td>p. 94–95</td>
</tr>
<tr>
<td>Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country</td>
<td>Given that the authorized capital of Vnesheconombank includes federal property (shares, real estate, asset contribution made by the government), Vnesheconombank is an entity which is not entitled to support political parties in accordance with the Federal Law “On Political Parties.”</td>
</tr>
<tr>
<td>Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes</td>
<td>p. 94–98</td>
</tr>
<tr>
<td>№</td>
<td>Disclosure/GRI Performance Indicator</td>
</tr>
<tr>
<td>----</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>SO8</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations</td>
</tr>
</tbody>
</table>

### Product Responsibility Performance Indicators

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<tr>
<th>Indicator</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1</td>
<td>Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures</td>
<td>p. 22–26, 94–98, 102–106</td>
</tr>
<tr>
<td>PR2</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes</td>
<td>This indicator is not relevant for Vnesheconombank and VEB Group subsidiaries.</td>
</tr>
<tr>
<td>PR3</td>
<td>Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements</td>
<td>This indicator is not relevant for Vnesheconombank and VEB Group subsidiaries.</td>
</tr>
<tr>
<td>PR4</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes</td>
<td>This indicator is not relevant for Vnesheconombank and VEB Group subsidiaries.</td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</td>
<td>p. 102–104</td>
</tr>
<tr>
<td>PR8</td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>p. 94–98</td>
</tr>
<tr>
<td>PR9</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</td>
<td>In 2012, Vnesheconombank and VEB Group subsidiaries were not liable to any significant fines for non-compliance with the laws and regulatory requirements concerning the provision and use of products and services.</td>
</tr>
</tbody>
</table>
Statement of Progress in Complying with the 10 Principles of UN Global Compact

In 2011, Vnesheconombank joined the United Nations Global Compact (UNGC), thus proving its intent to comply with and promote in the business community the ten principles of UNGC in areas such as human rights, labor, environment and anti-corruption. In accordance with the recommendations of UNGC the statement of progress is prepared based on the GRI Guidelines.

<table>
<thead>
<tr>
<th>Principle of the UN Global Compact</th>
<th>Disclosure/GRI Performance Indicator</th>
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<tbody>
<tr>
<td><strong>Human Rights</strong></td>
<td></td>
</tr>
<tr>
<td>1. Businesses should support and respect the protection of internationally proclaimed human rights.</td>
<td>EC5, LA4, LA7-LA9, LA13, LA14, HR4-HR9, S05, PR1, PR2, PR8, HR4-HR9, S05</td>
</tr>
<tr>
<td>2. Businesses should make sure that they are not complicit in human rights abuses.</td>
<td></td>
</tr>
<tr>
<td><strong>Labor</strong></td>
<td></td>
</tr>
<tr>
<td>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</td>
<td>LA4, LA5, HR5, S05, HR7, S05, HR6, S05, EC7, LA2, LA13, LA14, HR4, S05</td>
</tr>
<tr>
<td>4. Businesses should uphold the elimination of all forms of forced and compulsory labor.</td>
<td></td>
</tr>
<tr>
<td>5. Businesses should uphold the effective abolition of child labor.</td>
<td></td>
</tr>
<tr>
<td>6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</td>
<td></td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td></td>
</tr>
<tr>
<td>7. Businesses should support a precautionary approach to environmental challenges.</td>
<td>FS1-FS3, EN18, EN26, EN30, S05, FS1-FS3, EN1-EN4, EN6-EN30, S05, PR3, PR4</td>
</tr>
<tr>
<td>8. Businesses should undertake initiatives to promote greater environmental responsibility.</td>
<td></td>
</tr>
<tr>
<td>9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</td>
<td></td>
</tr>
<tr>
<td><strong>Anti-Corruption</strong></td>
<td></td>
</tr>
<tr>
<td>10. Businesses should work against corruption in all forms, including extortion and bribery.</td>
<td>S03-S06</td>
</tr>
</tbody>
</table>
INDEPENDENT ASSURANCE REPORT FOR
VNESHECONOMBANK GROUP SUSTAINABILITY REPORT 2012

To the attention of the management of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”: 

We have performed assurance procedures1 to provide independent assurance on the below-mentioned aspects of the Vnesheconombank Group Sustainability Report 2012.

Subject Matter
Qualitative and quantitative data disclosed in the Vnesheconombank Group Sustainability Report 2012 contained in the Table of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for standard disclosures in environmental, workforce, safety and socio-economic areas.

Our assurance procedures are limited to the 2012 data only.

Criteria
- Internal procedures and reporting guidelines according to which the sustainability-related information is gathered, processed and aggregated internally by State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”;

Responsibility and Methodology
The accuracy and completeness of sustainability performance indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our independent assurance report should therefore be read in connection with State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” internal sustainability reporting guidelines, definitions and procedures on the reporting of its sustainability-related performance.

The management of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” is responsible for both the subject matter and application of the criteria.

Our responsibility is to provide a conclusion on the subject matter based on our assurance procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” approved by the International Auditing and Assurance Standards Board (IAASB) and the Accountability Assurance Standard (AA1000AS) published by the Institute of Social and Ethical Accountability.

Main Assurance Procedures
The assurance procedures we performed included the following work:


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APPENDICES

- Interviewing: Interviewing personnel of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and its subsidiary companies who are responsible for internal sustainability reporting and data collection for the Vnesheconombank Group Sustainability Report 2012 in order to assess the understanding and application of internal sustainability reporting guidelines.


- Review of the documentation and analysis of relevant policies and basic principles: Reviewing the relevant documentation on a sample basis, including State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and its subsidiary companies internal policies, management and reporting structures and documentation.


Conclusions
Based on the work performed and assessment of the criteria described in this assurance report:

- Nothing has come to our attention that causes us to believe that the performance indicators and data mentioned in the subject matter and disclosed in the Vnesheconombank Group Sustainability Report 2012 (in the Table of the Global Reporting Initiative Sustainability Reporting Guidelines for standard disclosures) do not give a fair representation of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and its subsidiary companies activity in the area of sustainable development; and

- Nothing has come to our attention that causes us to believe that the Vnesheconombank Group Sustainability Report 2012 does not meet the requirements of the Guidelines GRI G3.0 Application Level of "I-".

Moscow, Russian Federation
30 August 2013

FAO, PricewaterhouseCoopers Audit
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Please e-mail your proposals for the development of the VEB Group non-financial reporting practices including comments on this Report’s contents, visual presentation, interaction with stakeholders during the Report preparation to: csr@veb.ru

We will appreciate your opinion!