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About the Report

This Report discusses the sustainability performance by Vnesheconombank Group in 2013. This is the 5th non-financial report prepared by Vnesheconombank and the 3rd consolidated report of Vnesheconombank Group. The 1st non-financial report that included information on all entities of the Group was issued in 2012.1

For the purposes of this Report, Vnesheconombank Group includes Vnesheconombank and Vnesheconombank’s subsidiaries operating to implement specific provisions of Federal Law No. 82-FZ "On Bank for Development" dated 17 May 20072:

/ OJSC SME Bank;
/ CJSC Eximbank of Russia;
/ CJSC Globexbank;
/ OJSC AKB Sviaz-Bank;
/ OJSC Bank BelVEB (Republic of Belarus);
/ PSC Prominvestbank (Ukraine);
/ LLC VEB-Engineering;
/ LLC VEB Capital;
/ OJSC VEB-Leasing;
/ VEB-Innovations Fund;
/ Russian Direct Investment Fund (RDIF) managed by LLC RDIF Management Company;
/ OJSC Federal Centre for Project Finance;
/ OJSC Export Insurance Agency of Russia;
/ OJSC North Caucasus Development Corporation;
/ OJSC The Far East and Baikal Region Development Fund.

This Report has been prepared in line with the Regulations on Vnesheconombank Group’s Sustainability Report, GRI Guidelines (version 3.1) and the Financial Services Sector Supplement (Appendix 1). Vnesheconombank self-declares a B+ GRI application level. The Report also discusses approaches by Vnesheconombank to achieving the UN Global Compact’s principles on human rights, labour, environment and anti-corruption.

The key focus of this Report is on Vnesheconombank’s functions as the national institution for development and those operations of the Group’s entities that work towards Vnesheconombank’s strategic goals. The Report also highlights the outcomes of our investment activities in fostering environment and socially sensitive projects, as well as innovative and Olympic projects. In this Report, we also specifically focus on how responsible finance principles are embedded in Vnesheconombank’s investment operations. The Report further examines performance by Vnesheconombank and the Group’s entities in supporting small- and medium-sized enterprises, promoting the market of public private partnership projects, bolstering exports and territorial development, etc.

1 Vnesheconombank publishes its non-financial reports on an annual basis.
2 The definition of "Vnesheconombank Group" does not match the definitions of "bank group" or "financial and industrial group" under Russian laws.
When determining the Report’s scope, we were guided by GRI Guidelines and best non-financial reporting practices of Russian and foreign financial institutions. We also took into account the recommendations resulting from the public assurance of Vnesheconombank Group Sustainability Report 2012 by the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs (RUIE). Based on these recommendations, the Report was expanded with more details on:

/ mechanisms for Vnesheconombank to make investment decisions and continue embedding responsible finance principles in the Bank's investment and lending practices;

/ our relations with international partners, including specific projects that are financed by leading foreign development institutions;

/ Vnesheconombank’s objectives for the next reporting period in our focus areas;

/ mechanisms and results of stakeholder engagement by Vnesheconombank in drafting the Report.

Information for this Report was collected, presented and validated by Vnesheconombank Group’s entities in line with the guidelines prepared by Vnesheconombank for the Group’s entities in the previous reporting period. Additionally, in 2013, Vnesheconombank developed new inquiry forms for Vnesheconombank Group's entities and provided a number of consultations to subsidiaries on collecting and consolidating the report data.

This Report has been independently corroborated by ZAO PricewaterhouseCoopers Audit (PwC), audited by the Internal Control Service of Vnesheconombank and assured by the Non-Financial Reporting Council of the RUIE (Appendices 9, 10).

The procedure for examining, agreeing and approving this Report has been changed after the approval of the new Regulations on Vnesheconombank Group's Sustainability Report.

The report has been examined by the Management Board of Vnesheconombank on September 5, 2014 and approved by Order of Vnesheconombank (No. 955 dated 6 October 2014).

In order to further develop the system of the non-financial reporting, Vnesheconombank has approved a new version of the Regulations on Vnesheconombank Group’s Sustainability Report (Vnesheconombank’s Order No. 630 dated 8 July 2014) providing for reduced terms of preparing the Sustainability Report 2014 through amending the procedures of examining and approving the non-financial reports.
Chairman’s Statement

Honorable colleagues and partners!

I have the honor to present for your kind attention and consideration the VEB Group Sustainability Report 2013. Actually, this is our 5th non-financial report. It covers a wide range of economic, environmental and social aspects of Vnesheconombank’s and the Group’s activities that are of immediate concern.

For us, as an institution for development, preparation of non-financial reporting is a milestone initiative since the Bank’s overall activities are primarily socially-oriented. The considerable scale of tasks the Bank is mandated to accomplish and the tangible impact on the quality of life in the country motivate its special responsibilities and commitments. That is why we consider it important to raise public awareness of our progress in
resolving the tasks of national importance delegated to the Bank.

The results achieved by Vnesheconombank in 2013 make us proud of the work accomplished. Most of the targets set by the Development Strategy were significantly exceeded. That primarily concerns the amount of the Bank for Development’s loan portfolio that is running at RUB 974.6 bn versus RUB 850 bn planned for the end of 2015. Moreover, the amount of support for Russian exports, which is another key performance indicator, exceeded RUB 150 bn against the target of RUB 88 bn.

Behind these fingers are dozens of actual projects that were financed by Vnesheconombank. A third of them are of innovative category. The Bank’s investments in advanced high-tech projects, which are of strategic importance for Russia, serve as a strong leverage in driving forward modernization of the national economy. These investments also significantly contribute to creating new high skilled jobs and generating increased tax revenues to the budgets of all levels.

To illustrate, these are only several of Vnesheconombank’s largest projects launched in 2013. The Tobolsk-Polimer petrochemical facility was put into operation. The project of such scale and scope is actually unique for Russia. Moreover, the petrochemical facility is already among the world’s top polypropylene producers. No less important is the environmental security of the complex that is ensured through the use of advanced production technologies.

Our Olympic projects deserve special attention. After the Olympic Games Sochi 2014 such Olympic venues as the Rosa Hutor mountain ski resort, the Mountain Carousel sports and tourist complex and other facilities of tourist, transport and energy infrastructure became globally famous. We are proud that Vnesheconombank actively participated in the construction of 20 facilities required for the 2014 Olympic Games.

Now, our task is to identify, in tandem with other investors, ministries and regional authorities, ways to make the best use of the Olympic facilities that would allow us to recoup the construction costs, give a fresh impetus to the development of the region and enhance the prestige of Sochi as a world-class resort.

Speaking about our achievements, we should also mention the success of the companies that comprise the VEB Group. In fact, the activities of subsidiary banks, funds, companies, development corporations and agencies are closely aligned with resolving the tasks set for the parent company. Vnesheconombank’s priorities include removing infrastructure constraints, facilitating modernization and developing a non_raw material dependent economy, encouraging innovation and exports. The VEB Group encompasses entities that engage in a variety of business lines. These include large commercial banks in Russia, Ukraine and the Republic of Belarus, the leading leasing, innovative and engineering companies, funds and corporations for regional development and Export Insurance Agency of Russia (EXIAR). Such a combination of instruments allows for more efficient use of the Group’s financial resources. Productive cooperation between the subsidiary companies enables Vnesheconombank to develop complex mutually complementary systems of financial support for major business activity lines.

The Kaluga cluster serves as an impressive demonstration of such a synergy effect. Admittedly, 2013 was a landmark year in delivering the action plan of the region’s integrated development. It should be noted that implementation of the plan not only meant investment in large-scale high-tech projects in the region. SME Bank’s support
gave a significant drive forward for SME development in Kaluga. Also, the Kaluga Region witnessed an increased provision of leasing services rendered by VEB-Leasing, as well as other measures of economic stimulation of the region offered by the VEB Group companies.

Today, the Kaluga Region comes among the leading Russian regions in terms of the number of advanced businesses created and the amount of investment raised. The Region also takes a clear lead in terms of labor productivity growth. The cluster of industrial parks, in financing of which Vnesheconombank is actively engaged, has attracted and continues to attract many foreign investors. Thus far, about 30 large-scale industrial facilities have already been commissioned on the territories of the parks. That allowed for creating more than 16 thousand new jobs and helped generate more than RUB 50 bn worth of tax revenues by the parks’ residents. Such radical changes in the region’s economy and industrial potential secured a significant improvement in the quality of life for the people.

Developing the national system of complex support for industrial exports is another business line of the VEB Group. In this respect, impressive progress has also been made. The system was fully launched in 2013 benefiting from the use of all the Group's mechanisms available. That primarily concerns Roseximbank and EXIAR, as well as VEB-leasing. Such a complex approach was instrumental in financing export deliveries of Sukhoi Superjet 100 aircraft to Indonesia and Mexico.

For us, the interests of SMEs are also of immediate concern. It is a most socially important sector of the Russian economy. The VEB Group renders the sector significant support with the SME Bank playing the central role. The Bank directly engages in implementing the State Programme of Financial Support for SMEs. Over the 7 years of the Bank’s participation in the Programme, more than 60 thousand companies were financed. The overall amount of SME support exceeded RUB 390 bn.

Apart from that, 2013 saw the launch of another important SME stimulating mechanism – guarantee mechanism of support for medium-sized enterprises. The SME Bank acts as its operator just as well. The mechanism aims to support medium-sized businesses engaged in non-raw material and non-trading sectors. The use of the instrument will ensure extending up to RUB 80 bn worth of credits to medium-sized businesses.

It is worth noting that encouraging business activities both of big businesses and SMEs has always been a priority for us. In this context, it is in 2013 that Vnesheconombank for the first time arranged a national Development Award. High awards for outstanding achievements in implementing nationally important investment programmes were instituted. The four prestigious awards included “The Best Infrastructure Project”, “The Best Industrial Project”, “The Best Project in Integrated Territorial Development” and “The Best SME Project”. The award ceremony was held in the course of the St. Petersburg International Economic Forum in the presence of the leaders of the country.

As to creating business friendly environment I would like to highlight Vnesheconombank’s engagement in international initiatives to secure sustainable development. Vnesheconombank has always sought to demonstrate high standards of responsible business conduct. We do not only underscore the standards importance by close adherence, but also seek to promote them in the Russian business community. In 2013, the Bank continued work along this particular line, primarily through engagement in the activities of the UN Global Compact, the
Russian network of which is headed by Alexander Ivanov, Deputy Chairman-Member of the Board of Vnesheconombank.

For Vnesheconombank, subscribing to the UNEP Finance Initiative (the Bank was among the first to join the organization) was also a milestone event. Participation in the initiative is a logic move in the process of developing and maintaining mechanisms of responsible financing that Vnesheconombank applies in its lending and investment policies.

We recognize crucial importance of the concept of responsible financing, as well as other CSR mechanisms. Their consistent integration in our practices will facilitate effective fulfillment of the powers of the national institution for development.

We see our task as enhancing the quality of the Bank's loan portfolio and increasing the share of projects designed to support innovation, protect environment and raise energy efficiency.

Today, our priorities include ensuring support for projects that tangibly contribute to developing the national economy, improving environment and enhancing the quality of life of the people. Hopefully, the entire team of the Bank's professionals acting in tandem with public authorities, the business community and other Russian and foreign development institutions will be dedicated to achieving the goal.

Vladimir Dmitriev
Vnesheconombank Group: Key Highlights

In 2014, Vnesheconombank will mark its 90th anniversary.

As of late 2013, Vnesheconombank Group comprised 16 subsidiaries.

Vnesheconombank has been operating as the national Bank for Development since 2007.

Over the period the Bank has approved financing of 296 projects totaling 3.8 Tn p.

The bank's commitment standing at 2.3 Tn p. of the projects is expected to total 1.5 Tn p.

Including:

- 76 projects
- Vnesheconombank's commitment 791.7 Bn p.
- Innovation projects
- 47 projects
- 779.5 Bn p.
- Environmental stewardship and energy efficiency projects
- 20 projects
- 248.6 Bn p.
- Olympic projects

These projects have already added, or are planned to add >178,000 new jobs.
Vnesheconombank has been operating as the national Bank for Development since 2007.

**Vnesheconombank Group:**

**Key Highlights**

- **Anniversary**: TH
- **As of late 2013, Vnesheconombank Group comprised**
- **Subsidiaries**
- **Number of projects**
- **Including Vnesheconombank’s commitment**
- **BN**: 76
- **2011**: 47
- **2012**: 779.5
- **2013**: 791.7
- **2014**: 296
- **2015**: 76
- **Totaling 2.3**
- **The bank’s commitment standing at 1.5**
- **Budgetary effect of the projects is expected to total**
- **Projects**
- **New jobs planned**
- **BN**: 13,175
- **Projects**
- **Total project value**
- **BN**: 428.1
- **Bank’s commitment**
- **BN**: 270.8
- **Expected budgetary effect**
- **BN**: 289.8
- **New jobs planned**
- **Total amount allocated by SME Bank to SMES**
- **BN**: 397.0
- **The programme provides support to SMES in 82 Russian regions, including 167 single-industry towns**
- **BN**: 266.5
- **Projects**
- **The investment project portfolio in single-industry towns includes**
- **BN**: 82
- **Russian Federation regions**
- **BN**: 167
- **Single-industry towns**
- **Export support by sector**
- **Air and space industry**: 47%
- **Machine building**: 47%
- **Power industry**: 1%
- **Other**: 5%
- **Export support portfolio**
- **BN**:
- **2013**: 122.1
- **2012**: 62.57
- **2011**: 51.6
- **Export finance portfolio**

In 2013, Vnesheconombank’s management approved 30 projects.

- **Total project value**: BN 428.1
- **Bank’s commitment**: BN 270.8
- **Expected budgetary effect**: BN 289.8
- **New jobs planned**: 13,175

Territorial development

- 55 cooperation agreements and 5 plans for joint action on integrated territorial development signed with constituent entities of the Russian Federation.

The investment project portfolio in single-industry towns includes 33 projects.

- Bank’s commitment: BN 266.5

Support to SME

- Total amount allocated by SME Bank to SMES: BN 397.0
- The programme provides support to SMES in 82 Russian regions, including 167 single-industry towns.

Export finance portfolio

- Export support: BN
- 2013: 122.1
- 2012: 62.57
- 2011: 51.6

Export support by sector

- Air and space industry: 47%
- Machine building: 47%
- Power industry: 1%
- Other: 5%
Highlights 2013

Vnesheconombank launched the state guarantee-based mechanism of support to medium-sized enterprises

Vnesheconombank signed plans for joint action on integrated territorial development in 2013–2018 with the Administration of the Primorye Territory, the Government of the Astrakhan Region and the Government of the Rostov Region

Vnesheconombank, jointly with KFW, the German bank for development, completed the preparatory phase of the project for building an international foundation for support to entrepreneurs

The Bank’s mandate for trust management of pension savings was renewed until 2019

The Bank held an award ceremony for the winners of the 1st Development Award national competition organised by Vnesheconombank

Vnesheconombank became a full member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

Vnesheconombank became the first Russian organisation to join the United Nations Environment Programme Finance Initiative (UNEP FI)

Vnesheconombank adopted a responsible finance policy

Alexander Ivanov, Vnesheconombank’s Deputy Chairman and Management Board Member, was elected Chairman of the Steering Committee of the UN Global Compact Network Russia

Vnesheconombank, with advisory support by IFC, launched the mechanisms to assess energy efficiency of the Bank’s investment projects

Out of 296 projects approved for financing by Vnesheconombank within its functions as a development bank, some are already at the stage of operation. Below are the key outcomes of investment projects implemented by Vnesheconombank in 2013:
Out of 296 projects approved for financing by Vnesheconombank within its functions as a development bank, some are already at the stage of operation. Below are the key outcomes of investment projects implemented by Vnesheconombank in 2013:

/ Completion of tens of sports, touristic and infrastructure facilities that helped Russia to successfully hold Sochi 2014 Winter Olympics

/ Commissioning of the unique Tobolsk-Polymer facility that currently ranks among top global polypropylene producers

/ Launch of a new passenger terminal of Pulkovo International Airport in Saint Petersburg

/ Commissioning of Russia’s largest oil loading terminal that handles oil product exports at the Commercial Sea Port of Ust-Luga

/ Launch of the northern section of the Western High-Speed Diameter highway

/ First power supplies by Boguchany Hydro Power Plant to the wholesale power market

In 2013, Vnesheconombank’s management approved the Bank’s involvement in the financing of 30 projects, including such projects of nationwide importance as:

/ Development of the North-Western block of the world’s largest untapped coal deposit, Elginskoye Coal Deposit in the Republic of Sakha (Yakutia)

/ Setup of a joint venture in the Russian Far East between MAZDA SOLLERS and major Asian car manufacturers to manufacture Mazda and SsangYong cars

/ Financing of acquisition of Sukhoi Superjet 100 passenger aircraft to be further leased out to airlines from the Republic of Indonesia, the Republic of Ireland and the Lao People’s Democratic Republic

/ Extension of a credit facility to the Government of the Republic of Belarus to finance advance payments under the project for construction of a nuclear power plant in Belarus

/ Financing of the OJSC AVTOVAZ Development Programme 2020
Vnesheconombank’s History

The Russian Government appointed Vnesheconombank as the State Trust Management Company to invest pension savings of Russian citizens.

The Presidium of the Supreme Council of the Russian Soviet Federative Socialist Republic assigned a new function to Vnesheconombank: servicing the external debt of the former USSR.

Joint-Stock Bank Vneshtorgbank of the USSR was renamed the Bank for Foreign Economic Affairs of the USSR (Vnesheconombank of the USSR). The Bank’s functions were extended to support all commercial, economic and financial relations of the Soviet Union with foreign countries.

7 April 1924. The Russian Commercial Bank was transformed into the Bank for Foreign Trade of the USSR (Vneshtorgbank of the USSR). The Bank was nationalised and continued its active international operations as the country’s largest bank, second only to Gosbank. The Bank was intended to act as the major channel for all export and import operations and the only financial agent for the government in global financial markets.

18 August 1922. The Russian Commercial Bank (Roskombank) was established. The Bank was set up by Svenska Ekonomiebolaget, a foreign lending institution, to attract international capital to the Soviet Union and promote foreign trade in general. The Bank also issued guarantees to secure Soviet foreign trade contracts.

As a result of reorganisation, Vnesheconombank of the USSR was transformed into State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”. Vnesheconombank became the national development bank playing a key role in conducting the government investment policy.
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18 August 1922. The Russian Commercial Bank (Roskombank) was established. The Bank was set up by Svenska Ekonomiebolaget, a foreign lending institution, to attract international capital to the Soviet Union and promote foreign trade in general. The Bank also issued guarantees to secure Soviet foreign trade contracts.

Vnesheconombank intensified its activities as a development bank by increased funding of investment projects while streamlining the quality of its loan portfolio. The Bank ranks 7th in the rating published by Global Finance magazine, thereby reconfirming its status of the most reliable Russian financial institution in the Central and Eastern Europe.

Vnesheconombank was actively building Vnesheconombank Group combining major commercial banks of Russia, Ukraine and Belarus and specialised organisations that are engaged in, or facilitate, investment operations.

Vnesheconombank launched the government programme for supporting small- and medium-sized enterprises, and acted as the major lender to Olympic construction projects in Sochi.

Vnesheconombank launched crisis management measures to bolster the Russian financial system.

As a result of reorganisation, Vnesheconombank of the USSR was transformed into State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”. Vnesheconombank became the national development bank playing a key role in conducting the government investment policy.
Vnesheconombank’s Strategy
VEB is the national bank for development assisting implementation of the state socio-economic policies, enhancing competitiveness of the national economy and its modernization on an innovative basis.

The Bank sees its mission in driving Russia’s development forward through financing investment projects of national importance. The implementation of such projects encourages diversification and efficiency of the Russian economy. Economy modernization, in its turn, gives a strong impetus to serious social transformations in the country.
1.1. Priority Business Lines

As the national development bank of the Russian Federation, Vnesheconombank seeks to boost the competitive edge of the Russian economy and modernise it through innovations. The Bank finances major investment projects that contribute to the sustainable social and economic development of Russia. Driven by the market principles of operation, the Bank assumes the responsibility for its profits and losses, but does not compete against commercial lending institutions. We primarily engage in projects that do not make much commercial sense for private investors.

Since its first operations as a development bank, Vnesheconombank’s management has approved the Bank’s involvement in the financing of 296 projects for a total of RUB 3.8 tn, with the Bank’s commitment standing at RUB 2.3 tn.

The budgetary effect of these projects is expected to attain RUB 1.5 tn.

These projects have brought, or are planned to bring, over 178 thousand new jobs.

Vnesheconombank’s operations are governed by Federal Law No. 82-FZ “On Bank for Development” dated 17 May 2007.

The key investment and financial areas and performance indicators of the Bank are set out in the Memorandum on Financial Policies of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”. In its operations, Vnesheconombank is guided by the national interests and policies approved by the Russian Government.

As the state financial institution for development, Vnesheconombank is seeking to promote sustainable growth of the Russian economy, environmental improvements and social welfare. The Bank also focuses on fostering the sustainability concept at the national level and demonstrates through its own example that these efforts are extremely beneficial.
PORTFOLIO BREAKDOWN BY SECTOR

- Infrastructure: 52.7%
- Aircraft building and rocket-and-space industry: 1.2%
- IT and software: 0.1%
- Healthcare equipment and pharmaceutics: 0.7%
- Wood processing: 12.3%
- Industrial agriculture: 6.5%
- Machine building: 3.1%
- Metallurgy: 2.5%
- Other: 20.9%

VNESHECONOMBANK’S PROJECT PORTFOLIO APPROVED BY VNESHECONOMBANK’S MANAGEMENT, BY REGION AS OF 31 DECEMBER 2013

- Central Federal District: 22.52%
  - 100 projects
- Volga Federal District: 15.89%
  - 41 projects
- Southern Federal District: 14.59%
  - 35 projects
- North Caucasian Federal District: 1.38%
  - 8 projects
- Urals Federal District: 6.31%
  - 17 projects
- Siberian Federal District: 18.32%
  - 20 projects
- North Western Federal District: 8.36%
  - 30 projects
- Far Eastern Federal District: 7.45%
  - 15 projects
- Interregional projects: 5.19%
  - 11 projects
Impeccable business standing, both domestically and internationally, is a key to Vneshekonombank’s successful performance. The Bank ranks among the top national financial development institutions across the globe. Vneshekonombank has been assigned ratings by the Big Three international rating agencies: Standard & Poor’s, Fitch and Moody’s.

Vneshekonombank is involved in the activities of major international financial institutions and represents the interests of the Russian financial sector abroad by supporting the preparation of international sectoral standards. By developing its relations with leading international financial institutions, Vneshekonombank channels large-scale foreign investment into the Russian economy to deliver the country’s strategic investment projects.

### TOP 10 financial development institutions by total asset value (FY2013), USD bn

<table>
<thead>
<tr>
<th>Institution</th>
<th>Assets, USD bn</th>
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</thead>
<tbody>
<tr>
<td>1 China Development Bank (CDB)</td>
<td>1,352</td>
</tr>
<tr>
<td>2 German Development Bank (KfW)</td>
<td>641</td>
</tr>
<tr>
<td>3 Italian Cassa Depositi e Prestiti (CDP)</td>
<td>439</td>
</tr>
<tr>
<td>4 Brazilian Development Bank (BNDES)</td>
<td>332</td>
</tr>
<tr>
<td>5 French Caisse des Dépôts (CDC)</td>
<td>197</td>
</tr>
<tr>
<td>6 Korean Development Bank (KDB)</td>
<td>188</td>
</tr>
<tr>
<td>7 Development Bank of Japan (DBJ)</td>
<td>173</td>
</tr>
<tr>
<td>8 Spanish Instituto de Crédito Oficial (ICO)</td>
<td>141</td>
</tr>
<tr>
<td>9 Japan Bank for International Cooperation (JBIC)</td>
<td>140</td>
</tr>
<tr>
<td>10 Vneshekonombank</td>
<td>101</td>
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### TOP 10 financial development institutions by capital (FY2013), USD bn

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<tr>
<th>Institution</th>
<th>Capital, USD bn</th>
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<tbody>
<tr>
<td>1. China Development Bank (CDB)</td>
<td>92.8</td>
</tr>
<tr>
<td>2. French Caisse des Dépôts (CDC)</td>
<td>42.9</td>
</tr>
<tr>
<td>3. German Development Bank (KfW)</td>
<td>28.3</td>
</tr>
<tr>
<td>4. Italian Cassa Depositi e Prestiti (CDP)</td>
<td>28.1</td>
</tr>
<tr>
<td>5. Brazilian Development Bank (BNDES)</td>
<td>27.1</td>
</tr>
<tr>
<td>6. Development Bank of Japan (DBJ)</td>
<td>27.0</td>
</tr>
<tr>
<td>7. Korean Development Bank (KDB)</td>
<td>21.5</td>
</tr>
<tr>
<td>9. Vnesheconombank</td>
<td>17.6</td>
</tr>
<tr>
<td>10. Spanish Instituto de Crédito Oficial (ICO)</td>
<td>6.2</td>
</tr>
</tbody>
</table>

### Vnesheconombank’s long-term credit ratings as of 1 January 2014

<table>
<thead>
<tr>
<th>International agency</th>
<th>In RUB</th>
<th>In foreign currency</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>BBB+</td>
<td>BBB</td>
<td>Stable</td>
</tr>
<tr>
<td>Fitch</td>
<td>BBB</td>
<td>BBB</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Baa1</td>
<td>Baa1</td>
<td>Stable</td>
</tr>
</tbody>
</table>
LONG-TERM INVESTORS CLUB (LTIC)

BRICS INTERBANK COOPERATION

SHANGHAI COOPERATION ORGANISATION INTERBANK CONSORTIUM (SCO IBC)

Vnesheconombank Group's entities seek to add a competitive edge to the Russian economy by diversification and encouragement of investment activities.

## Subsidiaries of Vnesheconombank Group

<table>
<thead>
<tr>
<th>Subsidiary Banks</th>
<th>Capital, RUB mn</th>
<th>Vnesheconombank's interest, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SME BANK</strong></td>
<td>17,181.00</td>
<td>100</td>
</tr>
<tr>
<td>OJSC Russian Bank for Small and Medium Enterprises Support (SME Bank) provides support to small- and medium-sized enterprises across Russia as part of the government SME support programme and the guarantee-based mechanism of support to medium-sized enterprises.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXIMBANK OF RUSSIA</strong></td>
<td>951.00</td>
<td>100</td>
</tr>
<tr>
<td>CJSC Eximbank of Russia conducts the government policy to support and encourage national exports of industrial products, works and services, acts as the Russian Government’s agent issuing state guarantees to exporters, and syndicates loans to importers of Russian products.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GLOBEXBANK</strong></td>
<td>12,584.43</td>
<td>99.99</td>
</tr>
<tr>
<td>CJSC GLOBEXBANK and OJSC AKB Sviaz-Bank are universal commercial banks. Vnesheconombank acquired the majority stakes in the banks during the financial crisis of 2008 – 2010 when they required urgent stabilisation. By managing GLOBEXBANK and Sviaz-Bank, Vnesheconombank seeks to increase their market value in order to subsequently withdraw from the capital of the banks and recover the funds invested by the government in their rehabilitation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SviazBank</strong></td>
<td>19,026.30</td>
<td>99.47</td>
</tr>
<tr>
<td><strong>BelIVEB</strong></td>
<td>13,964.33</td>
<td>97.52</td>
</tr>
<tr>
<td>OJSC Bank BelVEB (Republic of Belarus) and PCS Prominvestbank (Ukraine) are foreign subsidiaries of the Group. They focus on strengthening economic relations between Russia, Belarus and Ukraine in the scope of major joint investment projects.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PROMINVESTBANK</strong></td>
<td>36,343.00</td>
<td>98.60</td>
</tr>
</tbody>
</table>
## Specialised Subsidiaries

<table>
<thead>
<tr>
<th>Specialised Subsidiaries</th>
<th>Capital, RUB mn</th>
<th>Vnesheconombank’s interest, %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VEB ENGINEERING</strong></td>
<td>147.98</td>
<td>67.55</td>
</tr>
<tr>
<td>LLC VEB-Engineering provides expert evaluation and monitoring services for investment projects financially supported by Vnesheconombank, and a broad range of engineering and advisory services to Vnesheconombank’s entities, Vnesheconombank’s customers and other public and private companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VEB CAPITAL</strong></td>
<td>10,361.40</td>
<td>100</td>
</tr>
<tr>
<td>LLC VEB Capital specialises in management of distressed and non-core assets of the Group, and acts as Vnesheconombank’s agent in implementing its Programme of Investment in Affordable Housing Construction and Mortgage Services in 2010 – 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VEBLEASING</strong></td>
<td>8.17</td>
<td>84.63</td>
</tr>
<tr>
<td>OJSC VEB-LEASING is a leading company in the Russian lease market</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VEB INNOVATION</strong></td>
<td>1.00</td>
<td>100</td>
</tr>
<tr>
<td>VEB Innovations Fund facilitates the innovative growth of the Russian economy. The fund focuses on implementing the programme for financial support to Skolkovo Foundation projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RUSSIAN DIRECT INVESTMENT FUND</strong></td>
<td>300.00</td>
<td>100</td>
</tr>
<tr>
<td>Russian Direct Investment Fund (RDIF) managed by LLC RDIF Management Company is a leading institution that attracts foreign direct investment in the Russian economy and runs large-scale projects co-financed by foreign investors</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FCPF</strong></td>
<td>4,927.80</td>
<td>100</td>
</tr>
<tr>
<td>OJSC Federal Centre for Project Finance (FCPF) finances the procurement of regional and urban development projects and provides investment advisory services</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXIAR</strong></td>
<td>30,000.00</td>
<td>100</td>
</tr>
<tr>
<td>OJSC Export Insurance Agency of Russia (EXIAR) provides insurance support to Russian exports and outbound investments by Russian companies, including support to export-oriented SMEs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NORTH CAUCASUS DEVELOPMENT CORPORATION</strong></td>
<td>7,600.00</td>
<td>100</td>
</tr>
<tr>
<td>OJSC North Caucasus Development Corporation (NCDC) is a key development institution in the North Caucasian Federal District that implements large-scale investment projects in the region and contributes to building up the local investment case</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>THE EAST OF RUSSIA DEVELOPMENT FUND</strong></td>
<td>15,500.00</td>
<td>100</td>
</tr>
<tr>
<td>OJSC The Far East and Baikal Region Development Fund promotes the accelerated growth of the macro-region by engaging in procurement and delivery of investment projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VEB Asia</strong></td>
<td>Equivalent of USD 30 mn</td>
<td>100</td>
</tr>
<tr>
<td>VEB Asia Ltd. was registered in Hong Kong in 2013 to engage investors from East and South-East Asia in financing ambitious projects planned to be implemented in Russia and to expand access by Russian corporate issuers to the Hong Kong stock market.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

3 As VEB Asia Ltd. was registered only in April 2013, the consolidated data on the company’s operations will be disclosed in the Vnesheconombank Group Sustainability Report 2014.
1.2. Strategy Implementation. Sustainability Objectives and Initiatives

Vnesheconombank’s strategic goal for 2011 – 2015 is boosting its support as a development bank to the sustainable innovative social and economic growth of Russia by upgrading the national economy and enhancing its competitive edge. Vnesheconombank’s Development Strategy will focus on embedding the principles of corporate social responsibility in the Bank’s operations while capturing experience and best practices of international financial development institutions.

Strategy of Vnesheconombank as a development institution

The integration of CSR principles is closely related to how Vnesheconombank will tackle its strategic challenges and serves as a prerequisite for the Bank to act as a financial development institution.

Following its Development Strategy for 2011 – 2015, Vnesheconombank works towards its ambitious objectives to bolster fundamental changes in the social and economic development of Russia. This task will be primarily delivered by building up the Bank’s financial support to programmes and initiatives for innovation-driven modernisation of the Russian economy. The Strategy defines our vision on the development outlooks of the Bank as:

- a leading organisation providing financial support to, and expert evaluation of, major investment projects and programmes for development of Russian economic sectors and regions of national significance;
- a centre promoting public-private partnership (PPP) mechanisms and an investment consultant to the Russian Government;
- a leader in implementing the government programme for support to SMEs;
- a centre of financial and guarantee support to the national exports;
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a state management company for trust management of pension savings;
an agent for the Russian Government to manage the state external debt and state external financial assets, recover amounts payable to the federal purse, and issue/honour state guarantees;
a public and transparent entity that contributes to building an attractive investment climate and an international financial hub in Russia;
a financially stable entity;
a strategically oriented and socially responsible entity.

In 2013, to enhance its efforts in pursuing the Strategy, Vnesheconombank continued building a strategic governance framework. The key deliverables achieved as a result included:
an updated roadmap for implementing Vnesheconombank’s Development Strategy;
a concept of a framework to follow up the Strategy implementation based on a balanced scorecard system;
approved strategic development benchmarks for Vnesheconombank for the period until 2020 that will underlie the Bank’s strategy moving forward.
Vnesheconombank’s Strategic Map for 2011-2015

VNESHECONOMBANK – NATIONAL DEVELOPMENT BANK
MISSION: PROMOTING THE IMPLEMENTATION OF STATE SOCIAL AND ECONOMIC POLICIES, ENHANCING THE COMPETITIVENESS OF THE NATIONAL ECONOMY AND ENSURING ITS MODERNISATION ON AN INNOVATIVE BASIS

KEY CSR PRINCIPLES APPLIED BY VNESHECONOMBANK

OPENNESS AND TRANSPARENCY OF OPERATIONS

RESPONSIBILITY TOWARDS STAKEHOLDERS

PRIORITY TO SOCIAL AND ENVIRONMENTAL PROJECTS

COMPLIANCE OF THE BANK’S OPERATIONS WITH THE BEST CSR PRACTICES APPLIED BY DOMESTIC AND INTERNATIONAL FINANCIAL INSTITUTIONS

AIMS AND GOALS

SOCIAL RESPONSIBILITY

ENHANCING THE EFFICIENCY OF VNESHECONOMBANK’S OPERATIONS IN THE AREA OF ENVIRONMENTAL PROTECTION, SOCIAL SPHERE AND BUSINESS ETHICS

/ developing the responsible finance practices

/ managing the Bank’s environmental impact

INCREASING THE LEVEL OF CORPORATE SOCIAL RESPONSIBILITY OF RUSSIAN COMPANIES AND THE VEB GROUP ENTITIES

/ forming the proper professional environment in the area of investment activities

/ fostering CSR principles in the business community

/ developing responsible business practices

IMPROVING CONFIDENCE AMONG STAKEHOLDERS IN VNESHECONOMBANK’S OPERATIONS

/ fostering the responsible working practices

/ developing charitable activities and volunteering
INCREASE INVESTMENT PROJECT FINANCING
1. Amount of the Development Bank’s loan portfolio
2. Amount of projects financed
3. Amount of priority region financing
4. Amount of export support
5. Amount of loans to finance infrastructure projects
6. Amount of loans to finance industrial projects
7. Amount of loans to finance agricultural projects
8. Share of innovative projects
9. Amount of financial support for SMEs

ENSURE GROWTH OF THE DEVELOPMENT BANK’S LOAN PORTFOLIO
1. Amount of the Development Bank’s loan portfolio

ENSURE TARGET STRUCTURE OF THE DEVELOPMENT BANK’S LOAN PORTFOLIO
1. Amount of the Development Bank’s loan portfolio

INCREASE SME SUPPORT
1. Amount of the Development Bank’s loan portfolio
2. Amount of projects financed
3. Amount of priority region financing
4. Amount of export support
5. Amount of loans to finance infrastructure projects
6. Amount of loans to finance industrial projects
7. Amount of loans to finance agricultural projects
8. Share of innovative projects
9. Amount of financial support for SMEs

ENSURE EFFICIENT IMPLEMENTATION OF ANTI-CRISIS MEASURES
1. Financial rehabilitation of banks (Globexbank, Sviaz-Bank)
2. Anti-crisis measures of bank rehabilitation

ENSURE EFFICIENT IMPLEMENTATION OF AGENCY AND STMC FUNCTIONS
1. Agent for the Russian Federation for debts
2. STMC functions

RAISE NECESSARY FINANCIAL RESOURCES
1. Amount of funds borrowed in capital market
2. Average borrowing cost in capital market

ENSURE BREAK-EVEN OPERATION
1. The Bank’s profit

BOOST PROCESS AND TECHNOLOGY EFFICIENCY
1. Extent of the Bank’s IT-projects on planning and control over the Bank’s operation
2. Operational efficiency (Cost-to-income)
3. Share of projects delivered as per schedule
4. Share of projects delivered in compliance with project budgets
5. Number of jobs created through projects
6. Amount of tax revenues from projects to budgets

IMPROVE THE BANK’S PLANNING AND CONTROL SYSTEM
1. Extent of the Bank’s IT-projects on planning and control over the Bank’s operation
2. Operational efficiency (Cost-to-income)
3. Share of projects delivered as per schedule
4. Share of projects delivered in compliance with project budgets
5. Number of jobs created through projects
6. Amount of tax revenues from projects to budgets

ENHANCE PROCEDURES FOR INVESTMENT PROJECT EVALUATION AND SELECTION AND RAISE AWARENESS OF IMPLEMENTATION PROGRESS
1. Share of innovative projects

INCREASE PERSONNEL QUALIFICATION AND MOTIVATION LEVEL
1. Number of employees who have improved their professional qualification in core activities
2. Staff turnover
3. Percentage of the Bank’s CSR measures and projects completed
4. Percentage of the Bank’s CSR measures and projects completed as per schedule

BUILD A SOCIALLY RESPONSIBLE AND STRATEGICALLY ORIENTED COMPANY
1. Percentage of the Bank’s CSR measures and projects completed
2. Percentage of the Bank’s CSR measures and projects completed as per schedule

Note: Underlined are Vnesheconombank’s strategic targets. Strategic targets achieved are given as at 01.01.2014 as percentage of the targets for 01.01.2016.
Highlighted in violet are Vnesheconombank’s corporate-wide KPIs used in the system of incentivizing Vnesheconombank’s staff that were approved by Vnesheconombank’s Supervisory Board on 30.09.2010.

* In compliance with Vnesheconombank’s Supervisory Board decision dd. 17.11.2012, KPI “Amount of financial support for SMEs” was replaced by KPI “Amount of funds made available to SMEs”, and in compliance with the decision dd. 28.05.2013, the list of corporate-wide KPIs for the purposes of incentivizing the Bank’s staff was supplemented with KPI “Loan portfolio quality”.  

20.6
Implementation of Vnesheconombank’s Strategy

In 2011-2013, the Strategy was implemented in a relatively favourable macroeconomic context. This prompted a rapid build-up of financing allocated by Vnesheconombank to investment projects, a stronger support to high-tech exports and a progress in SME support programmes. As a consequence, most performance indicators set out in the Strategy were achieved in 2013 ahead of deadlines.

Strategic performance indicators of Vnesheconombank for 2011 – 2015 (RUB bn)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Target for 2015</th>
<th>Implemented %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development bank’s loan portfolio</td>
<td>505.4</td>
<td>720.2</td>
<td>974.6</td>
<td>850.0</td>
<td>115</td>
</tr>
<tr>
<td>Financing allocated to SME*</td>
<td>73.7</td>
<td>82.9</td>
<td>96.0</td>
<td>150.0</td>
<td>64</td>
</tr>
<tr>
<td>Support to exports</td>
<td>47.0</td>
<td>50.4</td>
<td>122.1</td>
<td>88.0</td>
<td>139</td>
</tr>
<tr>
<td>/ export support loan portfolio (within the development bank’s loan portfolio)</td>
<td>2.9</td>
<td>2.5</td>
<td>22.3</td>
<td>28.0</td>
<td>80</td>
</tr>
<tr>
<td>/ guarantee portfolio</td>
<td>44.1</td>
<td>47.9</td>
<td>99.6</td>
<td>60.0</td>
<td>166</td>
</tr>
<tr>
<td>Innovative project share in the development bank loan portfolio (%)</td>
<td>19.5</td>
<td>33.8</td>
<td>33.9</td>
<td>20.0</td>
<td>170</td>
</tr>
<tr>
<td>Breakeven point of the Bank’s operations (Bank’s profit)</td>
<td>19.8</td>
<td>5.4</td>
<td>20.6</td>
<td>&gt;0</td>
<td>100</td>
</tr>
</tbody>
</table>

CSR as part of Vnesheconombank’s overall strategy

Building the corporate social responsibility framework lies at the heart of our efficient performance as the national development institution working towards social welfare and economic stability. Vnesheconombank is committed to spearhead the efforts promoting corporate social responsibility and sustainability principles in Russia and is actively engaged in all major initiatives in this area.

We are embedding sustainability principles in our operations in line with the Corporate Social Responsibility Strategy for 2012 – 2015, the priority areas of which are aligned

* Replaced the "Financial Support to SME (via SME Bank)" indicator in 2012 as resolved by Vnesheconombank’s Supervisory Board.
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Embedding sustainability principles in Vnesheconombank’s operations

<table>
<thead>
<tr>
<th>Key initiatives</th>
<th>The Bank’s achievements in 2013</th>
<th>Outlooks</th>
</tr>
</thead>
</table>
| Promoting responsible finance practices | / Set up a Responsible Finance division and an Analytical Support to Sustainable and Institutional Development division within the Bank’s structure  
/ Approved the responsible finance policy  
/ Joined UNEP FI  
/ Validated the guidelines for assessment of social and economic efficiency of Vnesheconombank’s operations  
/ Started drafting the methodology for environmental and social assessment of investment projects in line with leading-edge international approaches and standards | Further embed responsible finance practices into Vnesheconombank’s lending and investment operations  
Develop and expand the mechanisms for monitoring the efficiency of investment projects and assessing socio-economic and environmental performance by Vnesheconombank |
| Preparing non-financial reports and engaging stakeholders | / Secured involvement in the activities of the interdepartmental working group of the Russian Ministry of Economic Development responsible for the draft concept of promoting non-financial reporting in Russia  
/ Developed the Stakeholder Engagement Policy | Integrate the Stakeholder Engagement Policy into Vnesheconombank Group’s non-financial reporting process |
| Promoting CSR principles in the business community and across Vnesheconombank Group | / Vnesheconombank took over the leadership in UN Global Compact Network Russia  
/ Held the 4th “Investment in Sustainability” conference  
/ SME Bank approved its Code of Corporate Conduct and Corporate Social Responsibility and Sustainability Policy  
/ A number of the Group’s entities issued their first sustainability reports  
/ Held a workshop for employees of Vnesheconombank Group on non-financial reporting and volunteering | Promote CSR principles in the business community, including across Vnesheconombank Group  
Boost the activities of UN Global Compact Network Russia |
| Running volunteer projects | / Ran 19 volunteer initiatives that involved employees of Vnesheconombank and the Group’s entities | Expand volunteering areas and more actively engage employees of Vnesheconombank Group’s entities in volunteer initiatives |
| Managing environmental impact | / Developed corporate regulatory documents to streamline the consumption of electricity, water and other resources | Embed the corporate environmental policy in Vnesheconombank’s operations |
1.3. Investment Management

We are among the leaders of the Russian financial market in terms of both investment scale and the extent of our impact on the domestic social and economic situation. The Bank’s investments are focused on fundamental changes in entire economic sectors and regions. By supporting investment projects, we are working towards a better environment, a higher quality of life, increased receipts to the budgets at different levels, and more new jobs.

Investment priorities

Vnesheconombank runs its investments operations in strict compliance with the Memorandum on Financial Policies that sets out key business lines and investment targets of the Bank. Our strategic goal consists in increasing project financing with respect to the key business lines and priorities set out in the Memorandum, primarily those aiming to modernise the Russian economy.

In 2013, the Russian Government resolved to extend the term of Vnesheconombank’s Memorandum on Financial Policies until 2016.

The top priority projects financed by the Bank include:

- projects seeking to upgrade and modernise the existing competitive Russian businesses;
- projects that focus on setting up new operating capacities that will release knowledge-intensive products enjoying high demand in global markets.

We are involved in major investment projects that lack access to the necessary resources offered by commercial financial institutions due to their extensive payback periods, sophistication and capital intensity. These primarily include projects that meet the development priorities set for the
Russian national and regional economies, as well as projects that aim to set up infrastructure facilities supporting the operation of special economic zones across Russia.

Vnesheconombank's investment activities are governed by the following principles set out in the Memorandum on Financial Policies.

**No competition against commercial financial institutions**

We give preference to investment projects that rule out the Bank's competition against commercial financial institutions. As a rule, Vnesheconombank enters investment projects if they cannot be financed by commercial financial institutions on terms comparable to those offered by Vnesheconombank.

**Viability**

We do not enter non-viable investment projects.

**Public private partnership**

We give preference to projects that are implemented through private public partnership mechanisms.

**Environmental responsibility**

We avoid investment projects that fail to meet environmental requirements and environmental efficiency standards.

**Transparency**

We run our investment and financial operations on a publicity and transparency basis in line with the best corporate governance practices.
Key areas of focus and sectoral priorities of Vnesheconombank’s investment

**KEY AREAS OF FOCUS**

- **REMOVING INFRASTRUCTURE CONSTRAINTS TO ECONOMIC GROWTH**
  Implement investment projects to remove infrastructure constraints to economic growth, including development of power and transport infrastructure, public utility infrastructure, and tourism infrastructure.

- **INNOVATIONS**
  Implement investment projects aimed at innovation development.

- **ENVIRONMENT**
  Engage in environmental stewardship and energy efficiency projects.

- **SME**
  Engage in projects seeking to promote small- and medium-sized enterprises by lending to banks and other legal entities that support SMEs.

- **SUPPORT TO EXPORTS**
  Support exports of agricultural and industrial products and services, aimed, inter alia, at diversification of the national exports.

- **INSURING EXPORT LOANS AND INVESTMENTS**
  Arrange insurance of export loans and investments against business and/or political risks by setting up a special publicly-traded vehicle and providing it with financial support.

- **TERRITORIAL DEVELOPMENT**
  Implement investment projects designed to develop territorial clusters.

- **SINGLE-INDUSTRY TOWNS**
  Implement investment projects intended for promoting single-industry municipalities.

**SECTORAL PRIORITIES**

- **AIRCRAFT BUILDING AND ROCKET-AND-SPACE INDUSTRY**

- **SHIPBUILDING**

- **ELECTRONICS**

- **NUCLEAR, INCLUDING NUCLEAR ENERGY**

- **HEAVY, AUTOMOBILE, SPECIALISED MACHINE BUILDING AND POWER ENGINEERING**

- **METALLURGY (SPECIALTY STEELMAKING)**

- **TIMBER PROCESSING**

- **DEFENCE INDUSTRY**

- **INDUSTRIAL AGRICULTURE**

- **STRATEGIC COMPUTER TECHNOLOGIES AND SOFTWARE**

- **ICT SYSTEMS**

- **HEALTHCARE EQUIPMENT AND PHARMACEUTICS**
Investment decision making mechanisms

Vnesheconombank's investment decisions rely on the due diligence of projects applying for financing that includes environmental risk assessment and is performed with engagement of independent expert firms. As of today, we are Russia's only financial institution that has voluntarily assumed responsible finance commitments within the framework of adhering to the United Nations Environment Programme Finance Initiative (UNEP FI).

By doing so, we have re-confirmed our commitment to sustainability principles and our willingness to improve our approaches to the environmental and social stewardship of the Bank's investment activities in line with best international practices.

Vnesheconombank finances large-scale investment projects:

/ with a payback period over 5 years;
/ with a total value over RUB 2 bn;
/ with the Bank's minimal commitment of RUB 1 bn.

Our evaluation of the feasibility and expediency of investment projects relies on the results of preliminary due diligence exercises run in line with the Regulations on Due Diligence of Investment Projects. Under the exercise scenario, the Bank checks whether the project meets the following basic criteria:

/ project's conformity to key business lines and sectoral priorities of the Bank's investment activities;
/ positive effect for the economy and society;
/ high quality of investment project.

Project due diligence is run by Vnesheconombank's investment subdivisions within their respective scopes of competence and responsibility. To prevent any potential conflict of interests, the Bank engages specialised independent firms to run due diligence. For some projects, due diligence is also supported by VEB-Engineering, a special vehicle of Vnesheconombank Group set up specifically to support the Bank's investment operations.

In making its investment decisions, Vnesheconombank always assesses the environmental impact of projects and their compliance with the requirements of national environmental laws. Additionally, the Bank may request the project initiator to run an independent environmental due diligence where such an exercise is required by the country in which the project is delivered, or is a pre-requisite for a foreign legal entity to participate in the project financing.

For some projects, an independent expert evaluation is mandatory at the due diligence stage. This applies to all projects subject to approval by Vnesheconombank's Supervisory Board. Moreover, projects for the construction of real property or manufacturing facilities must undergo an independent expert evaluation for energy efficiency and resource saving. Vnesheconombank's management may decide that major investment projects that require approval by the Supervisory Board should be examined by the Bank's Expert Council.
Vnesheconombank’s procedure and criteria for examination of investment projects

**PROJECT PROPOSAL**

**PRELIMINARY DUE DILIGENCE**

- Vnesheconombank’s Investment Subdivisions Responsible for Due Diligence
  - Checking project eligibility
  - Determining whether Vnesheconombank can finance the project

  Presentation to Vnesheconombank’s Investment Development Committee

  Decision on expediency of due diligence and inclusion in the list of projects under examination

- Improvements/rejection

**DUE DILIGENCE**

- Vnesheconombank’s Investment Subdivisions Responsible for Due Diligence
  - Business plan and financial model analysis; assessment of project stakeholders’ financial position
  - Analysis of collateral quality and ability to monitor that the funds are used for intended purpose; negotiation of loan agreement terms and preliminary terms of project follow-up
  - Proposals on terms of Vnesheconombank’s project financing

- Vnesheconombank’s Specialised Investment Subdivisions

- Independent Specialised Firms

- Improvements/rejection

- >10% of capital
- 2-10% of capital
- <2% of capital
Vnesheconombank’s Strategy

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Vnesheconombank’s procedure and criteria for examination of investment projects

PROJECT PROPOSAL

DUE DILIGENCE

PRELIMINARY DUE DILIGENCE

Vnesheconombank’s Investment Divisions responsible for Due Diligence

Business plan and financial model analysis; assessment of project stakeholders’ financial position

Analysis of collateral quality and ability to monitor that the funds are used for intended purpose; negotiation of loan agreement terms and preliminary terms of project follow-up

Vnesheconombank’s Specialised Investment Divisions

Proposals on terms of Vnesheconombank’s project financing

Presentation to Vnesheconombank’s Credit Committee

Vnesheconombank’s Investment Development Committee

DECISION ON EXPEDIENCY OF DUE DILIGENCE AND INCLUSION IN THE LIST OF PROJECTS UNDER EXAMINATION

SUBMISSION OF A PROJECT FINANCING PROPOSAL TO THE MANAGEMENT FOR CONSIDERATION

Improvement/rejection

Vnesheconombank’s Expert Council

(engaged by Vnesheconombank’s management)

INDEPENDENT SPECIALISED FIRMS

Determining whether Vnesheconombank can finance the project

Vnesheconombank’s Chairman

Vnesheconombank’s Management Board

Vnesheconombank’s Supervisory Board

WORKING GROUP FOR EXAMINATION OF MATERIALS PREPARED FOR MEETINGS OF Vnesheconombank’s Supervisory Board

Improvement/rejection

Vnesheconombank’s Management Board

Vnesheconombank’s Supervisory Board

< 2% OF CAPITAL

Vnesheconombank’s Chairman

2-10% OF CAPITAL

Vnesheconombank’s Management Board

> 10% OF CAPITAL

Vnesheconombank’s Management Board

> 10% OF CAPITAL

Vnesheconombank’s Supervisory Board

> 10% OF CAPITAL
Monitoring investment project efficiency and assessment of social and economic efficiency of Vnesheconombank’s operations

In 2013, we continued enhancing our investment operations while building a framework for monitoring efficiency of investment projects supported by Vnesheconombank and assessing the social and economic efficiency of the Bank’s lending and investment operations.

The comprehensive systemic efficiency assessment of Vnesheconombank’s operations as a development bank primarily relies on a system of indicators that reflects the impact of our lending and investment operations on key national development indicators specified, inter alia, in the Executive Order “On Long-Term State Economic Policy” by the Russian President and in Key Areas of Activities of the Government of Russia.
A system of indicators of Vnesheconombank’s social and economic operating efficiency

SOCIAL EFFICIENCY INDICATORS DESCRIBE VNESHECONOMBANK’S INPUT TO BETTER
EMPLOYMENT, LIFE QUALITY, WORK CONDITIONS AND OTHER INDICATORS
OF SOCIAL DEVELOPMENT:

/ Vnesheconombank’s input to the generation of new jobs

/ Vnesheconombank’s input to the overall level of household income

ECONOMIC EFFICIENCY INDICATORS DESCRIBE VNESHECONOMBANK’S INPUT TO STRONGER SOCIAL AND ECONOMIC GROWTH OF RUSSIA, ITS REGIONS AND SECTORS:

/ National/regional economic efficiency

/ Vnesheconombank’s input to GDP

/ Vnesheconombank’s input to GRP

/ Vnesheconombank’s input to an increase in exports of industrial and agro-industrial products and services

/ Vnesheconombank’s input to SME development

/ Vnesheconombank’s input to innovative development

BUDGETARY EFFECT INDICATORS DESCRIBE THE RATIO OF ACCUMULATED BUDGETARY EFFECT TO ACCUMULATED INVESTMENT BY VNESHECONOMBANK

ENVIRONMENTAL EFFICIENCY INDICATORS DESCRIBE VNESHECONOMBANK’S INPUT TO A BETTER ENVIRONMENTAL STEWARDSHIP
Key principles of assessing Vnesheconombank’s operating efficiency as a development bank

- The development bank’s operating efficiency is equivalent to the efficiency of its investment in the national economy.

Unlike commercial banks, we need to evaluate and plan the impact of our investment operations on the country’s social and economic development.

- Application of a system of indicators aligned with international standards for multi-criteria assessment of operations run by development institutions.

The multi-criteria approach advocates using an array of indicators of economic, budgetary, social and environmental impact, and value and physical indicators that reflect how the Bank’s operations affect the country’s key macroeconomic development indicators, and its individual regions and economic sectors.

- Drafting a list of qualitative indicators of economic, budgetary, environmental and social efficiency of the Bank’s operations aligned with the strategic goals of Russia’s economic and investment policies.

The follow-up of investment projects by Vnesheconombank includes financial and technical monitoring and investment project efficiency monitoring. We begin monitoring and supporting an investment project as soon as Vnesheconombank’s management makes a positive decision on the Bank’s involvement in the project financing and until the date when all project stakeholders fully meet their respective obligations under the terms of lending and security documents.
Embedding responsible financing principles into Vnesheconombank’s investment operations

In 2013, Vnesheconombank joined the United Nations Environment Programme Finance Initiative (UNEP FI), thus becoming the first and so far the only Russian member of this international initiative.

In 2013, Vnesheconombank actively worked on implementing and developing responsible financing practices. To this end, the Bank set up a Responsible Finance department within its structure. The department’s operations focus on integrating the principles of environmental and social responsibility into the investment decision making process.

In 2013 Vnesheconombank approved its corporate Responsible Finance Policy. Its core goals and objectives are as follows:

/ increase social and environmental responsibility of the Bank;

/ efficiently contribute to environmental protection;

/ improve the framework for managing environmental and social risks in line with best international practices of financial institutions for development.

In 2013, to implement the principles of its Responsible Financing Policy, Vnesheconombank launched a number of measures to enhance its methodology of environmental and social evaluation of investment projects in line with best international practices.

In parallel, we were working to promote the leading sustainability and responsible financing approaches across the Russian financial community. For this purpose, in December 2013, Vnesheconombank jointly with UNEP FI arranged a series of focused training events:

/ a master class “Management of Environmental and Social Risks: Mutual Benefits to Business and Society” held as part of the 4th “Investment in Sustainability. Unlocking an Innovative Business Potential” international business conference organised by Vnesheconombank;

/ a training workshop for employees of Vnesheconombank Group “Analysis of Environmental and Social Risks of Investment Projects”.

Development Projects
Dedication and long-term vision

Our strategic vision enables us to forecast the situation and work for the future. That accounts for our success in implementing long-term projects. All our endeavors are aimed at accomplishing the major goal, which means delivering the desired outcomes.
2.1. Integrated Territorial Development

For an innovative and socially-oriented development, the Russian economy needs to reduce its interregional differentiation and set up territorial production clusters focused on high-tech businesses in priority economic sectors. In implementing our regional policy, we are guided by the current nationwide objectives by taking a number of measures seeking to build new economic development centres and address regional challenges in an integrated way.

As of late 2013, Vnesheconombank signed 55 cooperation agreements and 5 plans of joint action on integrated development of territories with constituent entities of the Russian Federation.

The Bank has generated a pipeline of up-and-coming investment projects that includes 491 projects for a total of about RUB 5.7 tn.

We pursue our regional policy in close interaction with regional public authorities and seek to cement the strategic partnership and long-term relations with Russian regions. The core objectives of our regional policy are as follows:

/ encourage the economic development of Russian regions by generating new regional economic growth centres drawing on competitive advantages of respective regions;

/ contribute to economic diversification in single-industry towns;

/ engage in projects and development programmes intended to mitigate the gap in the life quality between Russian regions;

/ facilitate improvements in the investment climate and spur on business activity.

The Bank addresses the task of integrated territorial development through cooperation agreements and joint action plans signed with Russian regions and by strengthening the role of regional development institutions where Vnesheconombank has an equity interest. Vnesheconombank’s representations across the Russian Federation play an important role in handling these integrated territorial development tasks. To enhance investment efficiency at early stages, the Bank’s regional network collects and analyses data on regions’ appetite for lending and financial products and services of Vnesheconombank Group, and builds its regional database that includes data on development programmes by regions and single-industry towns and high-potential investment projects, including the PPP based ones.
Integrated Approach to Territorial Development

**VEB GROUP**

- VEB-LEASING
- SME BANK
- EXIAR
- NCDC
- FCPF

**VEB INNOVATIONS FUND**

- VEB ENGINEERING
- VEB CAPITAL
- SVIAZ-BANK
- GLOBEXBANK
- RDIF

**THE FAR EAST AND BAIKAL REGION DEVELOPMENT FUND**

**VNESHECONOMBANK**

**WORKING GROUP**

**PLAN**

- Investment operations of Vnesheconombank involving VEB Group’s subsidiaries
- Development of industrial parks and clusters in the region
- Support to single-industry towns
- Public private partnership
- Support to small- and medium-sized enterprises (SME)
- Non-financial measures of support

**CONSTITUENT ENTITY OF THE RUSSIAN FEDERATION**
Priority regions: Kaluga Region

As a development institution, Vnesheconombank promotes regional leaders that enjoy social and economic, research, engineering and human resource capabilities, make a sizeable input to the country’s GDP growth, and actively pursue a well-defined strategy that turns them into growth drivers for adjacent territories.

The Kaluga Region was the first pilot region where Vnesheconombank launched a new programme/plan based approach to regional growth.

Success story

Developing the Industrial Park Infrastructure in the Kaluga Region: Building an Automobile and Spare Parts Manufacturing Cluster

Winner of the 2013 Development Award as the Best Infrastructure Project

Implemented by:
Kaluga Region Development Corporation (OJSC)
Project value: RUB 14.4 bn
The Bank’s commitment: RUB 11.2 bn

Four industrial parks are being built in the Kaluga Region as part of the project in a territory measuring 3.5 thousand hectares: Grabtsevo, Vorsino, Rosva, and Kaluga-Yug. The project provides for installing engineering infrastructure at these industrial sites, and constructing production and warehouse facilities, multimodal logistical centres and other facilities required to support operations of industrial park residents. Once completed, the project will provide all necessary conditions for investors to build new production capacities in the industrial parks of the Kaluga Region.

As of late 2013, as many as 28 new businesses were already operating in the industrial parks, with more than 62 companies having invested in the project. Private investment in the project is estimated at RUB 154 bn; tax receipts from industrial park residents, at RUB 50.27 bn, and the annual growth of the Kaluga Region’s GRP, at 10-12%. Moreover, the project has added over 16 thousand new jobs, with new hotels and entertainment facilities being built, and the housing construction, tourism and recreation industries on the rise.

The project is expected to bring over 26 thousand new jobs in total. Its budgetary effect is expected to be RUB 268.30 bn.
The Plan of Joint Action signed between Vnesheconombank Group and the Government of the Kaluga Region in 2011 focuses on implementing ambitious investment projects in the region, supporting SME and PPP mechanisms, promoting lease services and building other economic encouragement mechanisms. The Plan involves most subsidiaries of Vnesheconombank and a number of other development institutions.

The implementation of the Plan for Integrated Development of the Kaluga Region gave an impetus to the industrial growth in this territory, facilitated diversification of its economy, helped to generate new knowledge-intensive jobs and contributed to a notable increase in the quality of life for local residents.

The key results achieved under the Plan are listed below:

/ the loan portfolios of GLOBEXBANK and Sviaz-Bank in the region grew to RUB 1.22 bn;

/ the amount of agreements made by partner banks of SME Bank with small- and medium-sized enterprises of the region went up to RUB 726.38 mn, with the average weighted rate rising from 12.94% to 12.63%;

/ the volume of lease agreements made by VEB-Leasing in the region grew 1.6 times from RUB 299.75 mn to RUB 487.3 mn, with the number of agreements increased by 1.3 times.
2013–2018
DRAFTING AND SIGNING OF THE PLAN FOR INTEGRATED DEVELOPMENT OF THE ROSTOV REGION
The plan provides for implementation of 24 projects for a total of RUB 112.8 bn, with Vnesheconombank’s commitment totalling RUB 81.9 bn

2013–2018
DRAFTING AND SIGNING OF THE PLAN FOR INTEGRATED DEVELOPMENT OF THE ASTRAKHAN REGION
The plan provides for implementation of 21 projects for a total of RUB 30.5 bn, with Vnesheconombank’s commitment totalling RUB 21.1 bn
2011–2013
IMPLEMENTATION OF THE PLAN FOR INTEGRATED DEVELOPMENT OF THE KALUGA REGION
As of late 2013, 3 investment projects for a total of RUB 45.75 bn were financed by the Bank, with Vnesheconombank’s commitment totalling RUB 36.04 bn. The Bank also approved the financing of another project for a total of RUB 4.7 bn, with the Bank’s commitment of RUB 3.7 bn

2012–2015
IMPLEMENTATION OF THE PLAN FOR INTEGRATED DEVELOPMENT OF THE KEMEROVO REGION
The plan provides for implementation of 17 projects for a total of RUB 184.66 bn, with Vnesheconombank’s commitment totalling RUB 41.61 bn. As of late 2013, applications were prepared for 4 projects for a total of RUB 46 bn, with Vnesheconombank’s commitment totalling RUB 34 bn

2013–2018
DRAFTING AND SIGNING OF THE PLAN FOR INTEGRATED DEVELOPMENT OF THE PRIMORYE TERRITORY
The plan provides for implementation of 11 projects for a total of RUB 273.3 bn, including 8 projects with Vnesheconombank’s involvement totalling RUB 218.3 bn, and 3 projects with The Far East and Baikal Region Development Fund’s involvement totalling RUB 38.5 bn
Priority regions: Far East and Baikal Region

In 2013, Vnesheconombank Group and the Primorye Territory’s Administration signed a plan of joint action that provides for implementation of 11 investment projects for a total of RUB 273.3 bn, including 3 projects supported by The Far East and Baikal Region Development Fund, with its commitment totalling RUB 38.5 bn.

Support to the development of the Far East and Baikal Region is another priority area of Vnesheconombank’s operations. This region is of strategic importance to Russia, including to its national security. We are working towards an environment that will speed up the development of this macro-region and make it more competitive and economically diversified, with its economy dominated by knowledge-intensive high added value businesses.

The Far Eastern Federal District and Baikal Region are currently implementing 9 ambitious investment projects involving Vnesheconombank. These projects focus on developing metallurgy, transport engineering, mining and ICT systems.

Established in 2011, The Far East and Baikal Region Development Fund, an entity of Vnesheconombank Group with an authorised capital of RUB 15.5 bn, plays an important role in supporting the macro-region’s lead growth and enhancing its investment case.

The Fund focuses on investment projects developing the industrial, transport and energy infrastructure in the Far East and Baikal Region by providing fixed-term interest-bearing loans.

In 2013, the Fund ran due diligence for the investment projects listed below that are planned to be launched by the Fund in 2014, including with involvement of private Asia-Pacific investors:

/ Nizhneleninskoye–Tongjiang railway bridge cross-border passage to be constructed over the Amur River;

/ development of the Vladivostok International Airport;

/ a fishery cluster to be set up on the island of Shikotan (Kuril Islands) based on CJSC Ostrovnoy Fish Works facilities.

In 2013, Vnesheconombank Group and the Primorye Territory’s Administration signed a plan of joint action that provides for implementation of 11 investment projects for a total of RUB 273.3 bn, including 3 projects supported by The Far East and Baikal Region Development Fund, with its commitment totalling RUB 38.5 bn.
Success story

Creation of a MAZDA SOLLERS Joint Venture for Manufacturing of Mazda and SsangYong Cars (Primorye Territory, Vladivostok)

Project initiators: OJSC SOLLERS, Mazda Motor Corporation
Borrower: LLC MAZDA SOLLERS Manufacturing Rus
Total project value: RUB 8.9 bn
Vnesheconombank’s commitment: RUB 4.9 bn

As part of the project, a joint venture of LLC MAZDA SOLLERS Manufacturing Rus was launched in Vladivostok involving major foreign car manufacturers. The joint venture will manufacture up to 85 thousand Mazda and SsangYong cars a year in total.

Such a highly localised car manufacturing business will cover demand for modern cars from private and corporate consumers. Some of the company’s products (Japanese and Korean cars of various brands, models, types and configurations) are planned to be marketed in the European part of Russia.

So far, the joint venture has acquired the manufacturing capacities and started the assembly of Mazda and SsangYong cars.

The project is planned to generate 2,820 new jobs. The project’s budgetary effect is expected to be about RUB 20 bn. The project’s implementation will also boost the activity in related industrial sectors and the tertiary sector of the region.
Priority regions: North Caucasian Federal District

As of late 2013, NCDC was involved in financing 7 investment projects with a total value of RUB 30.36 bn, with NCDC’s commitment totalling RUB 6.89 bn.

These projects are planned to directly create 2,284 new jobs, and 6,150 new jobs in related sectors. The projects’ budgetary effect is expected to be RUB 1.85 bn.

We focus our development efforts in the North Caucasian Federal District on unlocking the region’s high potential by setting up new economic growth centres and industrial sites, bridging the gap between depressive and advanced regions and developing the tourism and recreation industry.

Established in 2010, OJSC North Caucasus Development Corporation (NCDC), an entity of Vnesheconombank Group with an authorised capital of RUB 7.6 bn, is instrumental to building the investment environment in the North Caucasus. The Corporation is a pioneer entity for the North Caucasus that effectively aligns the interests of domestic and international investors on the one hand, and those of public authorities on the other. This guarantees robust project performance and enhances the region’s investment payback.

In 2013, NCDC continued building its investment project portfolio. As of the year-end, the Corporation was financing 7 projects related to infrastructure development, the industrial sector, intensive plant growing development, and the tourism industry. NCDC also focused on increasing business activity in the region.

In 2013, in line with the Instruction by Russian Prime Minister Vladimir Putin dated 28 November 2011, NCDC jointly with Vnesheconombank completed drafting the Concept of the Integrated Programme for Development of the Caucasian Mineral Waters Region until 2025. The Concept determines 3 key “growth drivers” of the region:

/ developing the tourism and recreation industry with an emphasis on balneological and healthcare tourism;

/ unlocking the regional transport, trading and logistical opportunities;

/ intensively promoting the industrial agriculture cluster.
Success story

Development of Intensive Plant Growing and Soya Processing in the Stavropol Territory (Avangard)

Initiator: AVG Capital Partners  
Total project value: RUB 3.980 bn  
NCDC’s commitment: RUB 824 mn

In 2013, NCDC began to finance the Avangard project. The project focuses on developing intensive plant growing in the Stavropol Territory. It provides for building an advanced agricultural business that will grow soya and maize using intensive plant growing technologies at 20 thousand hectares, including 16 thousand hectares planned to be equipped with advanced centre-pivot irrigation sprinklers. The project also provides for constructing grain drying and processing silo capacities, with an approximate 110 thousand tonne throughput capacity, and sheds for machinery.

The project is planned to bring directly about 100 new jobs and 200 new jobs in related industries. The project’s budgetary effect is expected to be RUB 345 mn.
Modernisation of single-industry towns

As of late 2013, Vnesheconombank’s investment project portfolio comprised 33 projects for a total of RUB 401.5 bn, with the Bank’s commitment totalling RUB 266.5 bn.

These projects are planned to bring about 6 thousand new jobs.

Another focus area of Vnesheconombank’s regional policy consists in supporting Russian single-industry towns whose complicated problems accumulated over several recent decades require immediate solution. In line with the List of Measures Designed to Support Stable Development of Single-Industry Localities in 2013–2018, we need to tackle the following challenges:

/ develop and implement mechanisms to support the economies of single-industry towns with involvement by Vnesheconombank;

/ set up the conditions and launch the necessary activities to attract investors to existing industrial sites of single-industry towns, and implement investment projects at existing industrial sites, including the involvement of owners of relevant strategic businesses.

Investment projects implemented by Vnesheconombank in single-industry towns are seeking to ensure the town’s financial recovery, modernise strategic businesses, and diversify the economies. Out of 33 investment projects from Vnesheconombank’s portfolio, 24 projects for a total of RUB 346.2 bn relate to single-industry towns, with Vnesheconombank’s commitment totalling RUB 228.7 bn. These projects have already been fully financed or are at the financing stage.

Breakdown of Vnesheconombank’s project portfolio in single-industry towns by sector as of 31 December 2013
Support to regional and urban development projects

In 2013, FCPF was involved in the financing of 5 projects focused on regional urban development, for a total of RUB 1.1 bn.

These projects are planned to create 36.5 thousand new jobs and increase tax and similar receipts by RUB 369 bn.

In 2013, the Federal Centre for Project Finance continued providing financial and non-financial support to regional and urban development projects.

Under its approved Strategy that factors in the status of reforms and investment climate in individual sectors, FCPF focuses on the following priorities in regional and urban projects:

- development of urban and road facilities (motor road infrastructure, airports, municipal solid waste (MSW) management);
- development of social infrastructure (healthcare, social security, tourism);
- integrated territorial development (industrial parks, urban agglomerations, and regional projects associated with large-scale industrial construction).

As part of financial support to urban and regional development projects, FCPF issues targeted loans and invests in the equity of related special purpose vehicles established by project initiators. FCPF also provides investment advice on project preparation and assists in attracting investments in projects.

Non-financial support provided by FCPF to development projects includes its involvement in drafting amendments to federal and regional laws, including on the use of PPP mechanisms. Additionally, FCPF organises training and retraining events for employees of public and municipal authorities, and drafts contract and bidding documentation templates for regional and urban development projects.
2.2. Support to Innovative Projects

We consider improvements to the quality of the development bank’s loan portfolio as our strategic priority. This objective is primarily achieved by increasing the number of innovation-oriented projects. In parallel, the Bank sees its goal in building a consistent and balanced framework to support the innovation-driven social and economic growth of Russia through interaction with other development institutions. Vnesheconombank is fully involved in building the Skolkovo innovation centre, unique for Russia, that seeks to embed advanced technologies and competitive world-class know-how into the Russian economy.

The Innovative Development Strategy of Russia assigns Vnesheconombank the leading role in targeted financing of high-tech and innovation investment projects. Their share is expected to be at least 15-20% of the Bank's loan portfolio. We have already achieved these targets, with our loan portfolio consisting by more than one third of innovation development projects already by the end of 2013. At the same time, the Bank is intending to build up its rates of support to those projects that reinforce the leadership and innovative potential of the Russian economy.

Since the Development Bank’s inception, Vnesheconombank’s management has approved engagement in 76 innovation development projects with a total value – RUB 1.5 tn and Vnesheconombank’s commitment coming at RUB 791.7 bn.

As of late 2013, we financed 57 innovation development projects with a total value of RUB 1.1 tn through credit facilities, with Vnesheconombank’s commitment standing at RUB 626.7 bn, and 3 projects with a total value of RUB 118.0 bn through equity investment, with Vnesheconombank’s commitment standing at RUB 65.4 bn.

As of late 2013, the share of innovation projects in Vnesheconombank’s loan portfolio stood at 33.9%, considerably in excess of the target that was planned to reach 20% at the end of 2015 under the Bank’s Development Strategy.

In 2013, Vnesheconombank’s management approved engagement in 9 innovation development projects with a total value of RUB 133.2 bn, with the Bank’s commitment totalling RUB 57.3 bn.

One of the focus areas of the Innovative Development Strategy of the Russian Federation until 2020 provides for setting up an innovation-driven infrastructure that will include new financial mechanisms to support innovative projects. This is a pre-requisite for Russia to address its ambitious long-term development goals seeking to ensure a high social welfare level and cement the country’s geopolitical role as a global decision maker.
Success story

Construction of a Data Centre in Saint Petersburg

Project initiator: Stack Data Network LLC
Total project value: RUB 3.1 bn
Vnesheconombank’s commitment: RUB 2.2 bn
The project is planned to bring 70 new jobs
Tax receipts are expected to be RUB 1.3 bn

The project provides for construction and commissioning of a data centre in Saint Petersburg under a patented StackKUB technology. The data centre will host 1,476 stands and, along with standard telecommunication and telematic services, will offer its customers a brand new product for Russia: an out-of-the-box individual “room” (a calculation cell or sector) for lease that serves to organise a node of corporate computing and telecommunication network secured against unauthorised access.

The infrastructure built under the project will handle the entire range of tasks faced by customers’ IT functions while offering the highest information security level.

The project is intended to support ICT innovations, which will:

/ ensure high reliability and continuity of IT business processes by fundamentally enhancing efficiency of large businesses across all economic sectors;

/ enhance the national information security by confining data flows and resources within the country;

/ promote the growth of small- and medium-sized enterprises by lowering the financial barrier for access to highly efficient IT solutions.

The project’s implementation will provide the emerging Russian economy with the necessary business and info-communication infrastructure. The first stage of the commercial data centre was launched in January 2014.
Support to regional innovative development

Vnesheconombank actively supports the innovative development of Russian regions as part of initiatives implemented in partnership with leading Russian and international development institutions. They include the joint project with the World Bank aiming to work out a strategy for the innovation-driven development of Russian regions and assess the investment efficiency.

We are also implementing the Development of a Russian Innovative National Observatory project in partnership with the International Bank for Reconstruction and Development (IBRD), OJSC Russian Venture Company and the Fund for Infrastructure and Educational Programmes. The key objective of the Observatory is to build a system of indicators to assess the status of the innovative framework for regions that would capture their specific parameters and needs so as to work out measures seeking to advance the innovative strategy implementation in regions. In 2013, the Bank signed the Memorandum on Implementation of the Second Stage of the Project designed to improve regional innovative systems in Russia and build financing instruments for innovative and next generation technology projects.

Support to Skolkovo Foundation projects

In 2013, the VEB Innovations Fund approved the financing for 7 projects.

As of late 2013, the Fund was engaged in the financing of 14 projects with a total value of RUB 324 mn and with VEB-Innovations Fund commitment – RUB 276 mn.

In 2011, Vnesheconombank established the VEB Innovations Fund to invest in high-tech projects of the Skolkovo Foundation. The Fund’s strategically focuses on supporting the development of innovative programmes of the Russian Government, building an innovation infrastructure, assisting acquisition of advanced international technologies by Russia and promoting Russian innovations in the global market.

The VEB Innovations Fund works with projects from 5 Skolkovo clusters, with IT projects accounting for the largest share in the portfolio (65%), followed by biotechnological and pharmaceutical projects (23%).
Success story

GLOBALLAB. Global School Laboratory

Initiator: GlobalLab LLC, the first Russian educational company to acquire the status of a resident in the Skolkovo innovation centre
Commitment by the VEB Innovations Fund: RUB 31.8 mn

The project develops an international educational environment in the form of an Internet portal with elements of social network. Its key audience will include children aged from 8 to 17 years, and their teachers and parents. The portal will offer an integrated kit of programme tools that are necessary to implement school research projects across a range of areas: from a simple survey to an in-depth scientific investigation.

The interactive functionality of the portal will help Russian school students to find single-minded friends in various countries and join their efforts in exploring the world.

The portal will offer teachers innovative methods to implement project and research activities in the scope of a curriculum. Parents will get an extra opportunity to organise safe online leisure for their children.

What makes the project unique is the high knowledge-intensiveness of its platform tested in 3 thousand schools in 30 world countries. Skolkovo’s expert appraisal board has already recognised the GLOBALLAB project as one of the most innovative educational IT solutions.

The project will improve education quality and motivation for training. It will also help students develop their research skills and personal qualities to meet the requirements of the modern information society.
Success story

MOBIX CHIP

Initiator: Mobix Chip LLC
Commitment by the VEB Innovations Fund: RUB 14.7 mn

The project seeks to develop and commercialise a next generation microchip for smart electricity metering systems (Advanced Metering Infrastructure) that lie at the heart of the transition by the global energy carrier market to the Smart Grid concept.

The innovative solutions behind this development are designed to promptly identify leaks in electricity grids, including as a result of fraudulent electricity consumption, which will facilitate more efficient energy consumption and higher energy savings. Importantly, the project will also promote a higher level of automation in electricity consumption management systems.

Relations with the Agency for Strategic Initiatives

Expert and organisational support to the Agency for Strategic Initiatives (ASI) is a critical area of Vnesheconombank’s support to innovation projects. Set up by the Russian Government in 2011, ASI provides support to leaders of commercial, social and educational projects by helping them overcome administrative barriers and raise funding via financial institutions and development institutions, and by arranging consultations with leading experts and business due diligence.

We are an anchor bank in terms of investment consultancy and in terms of originating financing for projects supported by ASI. The Bank runs a simplified due diligence procedure for these projects. We also run an express analysis of ASI’s projects and initiatives. The results of this analysis then serve as a basis for proposals put on vote by the Chairman of Vnesheconombank at the meeting of the ASI’s Supervisory Board.
In 2013, in order to enhance the efficiency of interaction between Vnesheconombank and ASI, the Bank's representatives were allowed to directly participate in meetings of the working group of the Agency's Expert Board examining New Business investment projects. The involvement in the working group's meetings in conjunction with an express analysis of projects considered by the Agency enables Vnesheconombank to provide investment consultancy services only to those projects that show a high level of readiness and offer potential for further financing by Vnesheconombank.
In 2013, Vnesheconombank received 2 applications for investment consultancy services from projects considered by ASI:

Project: Construction of a High-Tech Basalt Fibre Reinforced Polymer Composite Facility in the Republic of Sakha

Initiator: LLC TBM
Total project value: RUB 2.0 bn

The project is planned to produce construction materials for use in housing, industrial and road construction in the Russian North, which will cut down budget expenditures for delivery of construction materials to these remote territories.

Project: Manufacturing of Energy Efficient Next Generation Wires for Power Transmission Lines in the Town of Uglich (Yaroslavl Region)

Initiator: Sim-Ross-Lamifil Group of Companies
Total project value: RUB 3.1 bn

The use of next generation wires that are proposed to be manufactured in the scope of the project will reduce power transmission line losses by 30-40% and will increase their throughput capacity.

Project: Electric Foil: Retrofitting and Upgrading Foil Manufacturing and Setting Up Laminate Production

Initiator: Metals Trading House Ltd.
Total project value: RUB 2.8 bn

The project seeks to build a greenfield business for manufacturing of high-quality dielectric materials and to upgrade 9-12 µm thick foil manufacturing at an existing business facility. The project will contribute to substitution of foreign made goods with domestic products.

Project: Implementation of an Industrial Leak Pressure Sealing Technology

Initiator: H.C. INTRATOOL, LLC
Total project value: RUB 2.1 bn

The leak pressure sealing technology proposed under the project is based on an innovative approach to process maintenance of pipelines at operating facilities that makes possible repair work without process interruption.

In 2013, Vnesheconombank received two applications for the Bank's financing from projects supported by ASI:

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Total project value: RUB 3.1 bn

The use of next generation wires that are proposed to be manufactured in the scope of the project will reduce power transmission line losses by 30-40% and will increase their throughput capacity.
Among our other investment priorities, we provide support to green projects that promote stronger environmental stewardship and higher energy efficiency. By placing a special emphasis on supporting green growth of the Russian economy, the Bank contributes to addressing the global challenges caused by climate changes, lower biodiversity and the mounting manmade impacts on environment.

Vnesheconombank addresses the policy’s objectives by providing focused financing to environmentally oriented projects designed to introduce innovative, resource saving, environmentally safe and efficient technologies. Additionally, in 2013, Vnesheconombank, supported by the International Financial Corporation (IFC), engaged in building a mechanism for assessing energy efficiency of the Bank’s investment projects and preparing a portfolio of energy efficient projects for potential financing by international development institutions.

As of late 2013, Vnesheconombank’s management approved its engagement in 8 green projects with a total cost of RUB 266.4 bn and the Bank’s commitment totalling RUB 136.5 bn.

The government policy for environmental development of the Russian Federation until 2030 aims, among other things, to build an efficient, competitive and green economy growth model whose maximum efficiency hinges on robust environmental stewardship and minimised environmental impact. The policy is also intended for promoting international cooperation on conservancy and environmental safety.
Success story

Construction of a 600 t/d Float Glass Factory

Project initiator/Borrower: Caspian Flat Glass OJSC
Total project value: RUB 10.5 bn
Vnesheconombank’s commitment: RUB 7.5 bn
The project is planned to bring 392 new jobs
The project’s budgetary effect is expected to be RUB 1.9 bn

The project provides for constructing a knowledge-intensive facility for the production of transparent, tinted and reflective float glass in the village of Tyube (Republic of Dagestan), with a nominal capacity of 600 tonnes per day. The facility’s products will be used to supply high quality glass to construction businesses in the North Caucasian, Southern, Central and Volga Federal Districts of Russia, and to CIS and other foreign countries. The project is being implemented as part of the South of Russia federal target programme.

The facility’s products will offer unique energy saving properties due to its selective light transmission and flash-proof capabilities, and ability to dynamically regulate the glass colour. They will help reduce indoor heat losses by 30% in winter and sunlight penetration by 35 – 40% in summer. The technologies applied in the facility take into account the developments of major international market-leading glass manufacturers.

In November 2013, the project’s operator obtained an authorisation to commission the facility. The factory is currently operating in test mode. It is planned to reach its full capacity in 2014.
Implementation of measures intended to secure the sustainable development of Baikalsk single-industry town and address the issues related to closing the Baikalsk Pulp and Paper Mills (BPPM) and diminishing the negative environmental impact of waste resulting from operations of the mills

Project is implemented by Vnesheconombank in cooperation with LLC VEB Engineering

Based on the results of the conducted technical and economic research, the Russian Government resolved to terminate business operations of BPPM in order to stop the negative environmental impact and preserve Russia’s natural heritage – Lake Baikal.

Pursuant to the government’s resolution, Vnesheconombank implemented a set of measures aimed at ensuring the sustainable development of Baikalsk single-industry town. The Bank financed the BPPM’s operations during the closing period, including the payoffs of dismissal compensation and other social benefits to employees due at employment termination, as well as funded Baikalsk infrastructure facilities.

Implementing the Government Contract with the Russian Ministry of Natural Resources and Environment, VEB Engineering ran an engineering survey, developed the technical concept and design documents to address the negative environmental impact of waste resulting from BPPM’s operations with a total weight over 6.2 million tonnes. The work was conducted in compliance with the Federal Target Programme named “Protection of Lake Baikal and Social and Economic Development of Baikal Natural Area for 2012-2020”.

Engineering solutions proposed by VEB Engineering to address the negative impact of the waste disposal sites are compliant with the requirements of environmental laws, are environmentally safe and efficient. Their implementation will require engagement of 428 persons, which will solve a part of issues related to employment of BPPM’s staff dismissed as a result of BPPM’s shutdown. Moreover, the company is planning to take a number of measures seeking to renovate BPPM’s and Baikalsk’s infrastructure so as to handle social issues related to BPPM’s shutdown and support the social and economic development of the single-industry town of Baikalsk and the Slyudyanskiy District.

The environmental impact assessment materials have already undergone public hearings, while the design documents are currently under state environmental expert evaluation by the Division of the Federal Service for Supervision of Natural Resources for the Irkutsk Region.
Environmentally sensitive projects of Prominvestbank

Prominvestbank is fully involved in implementing the government policy of Ukraine related to the development of alternative energy, which contributes to the efficient consumption of conventional fuel/energy resources, higher energy efficiency and lower adverse environmental impact. In 2013, Prominvestbank was engaged in 2 major projects for the construction of wind power plants in Ukraine.

Success story

Lugansk Wind Farms (Ukraine)

Project initiator: Lutuginskiy Wind Farm LLC, Krasnodonskiy Wind Farm LLC
Total project value: RUB 4,470 mn
Prominvestbank’s commitment: RUB 2,878 mn

In 2013, Prominvestbank’s management made the decision to finance the Lugansk Wind Farms project. The project provides for the construction of 2 wind power plants with a total capacity of 50 MW (25 MW each). Each wind power plant will consist of 20 wind turbines.

The project will facilitate further development of the alternative energy industry. Alternative energy is highly environmentally-friendly, which is achieved through using renewable energy sources and minimum air pollutant emissions. Moreover, the project offers high return rates, while creating new jobs and increasing tax and similar receipts to the budget.
Environmentally sensitive projects of Bank BelVEB

Financing of environmental stewardship and energy efficiency projects is at the heart of Bank BelVEB’s investment operations. The Bank’s track record already counts tens of projects that were supported by the Bank and currently manufacture energy efficient home appliances and extremely green motor vehicles, introduce energy saving technologies and promote sustainable land use practices.

In 2013, this area was further supported by a EUR 10 mn 5-year credit facility agreement signed with the European Bank for Reconstruction and Development (EBRD) as part of the Belarus Sustainable Energy Finance Facility (BelSEFF). The financing under the Facility will be available to private enterprises that meet EBRD requirements and run energy efficiency and renewable energy projects.

Success story

Financing of day-to-day operations of Minsk Automobile Plant (MAZ)

Bank BelVEB’s commitment: RUB 1,037.8 mn

In 2013, Bank BelVEB took part in the financing of MAZ’s day-to-day operations for commercial release of Euro-4 motor vehicles. The money was granted to acquire manufacturing materials and components, with the bulk of it used to purchase engines and materials from Russia. In 2013, the company released over 9 thousand vehicles equipped with Euro-4 engines, for a total of RUB 15.19 mn.

The transition by the company to the manufacturing of advanced environmental class vehicles conforming to Euro-4 standard introduced by the United Nations Economic Commission for Europe contributed to a better environmental situation as vehicles of this category have considerable advantages over their predecessors, Euro-3 vehicles, including:

/ 70% pollutant emission cut-down;
/ 5% fuel consumption cut-down;
/ lower unladen engine weight;
/ lower vehicle noise.
2.4. Vnesheconombank’s Olympic Projects

Winter Olympics 2014 became a nation-wide project that turned the Sochi resort into an advanced international tourist hub with an amazing growth outlook. To make this possible, the contractors were to design and build, within tight timelines and actually from scratch, several ice rinks, ski facilities and ski tracks in a complicated mountainous terrain, as well as an immense number of touristic, transport and energy infrastructure facilities. Loans provided by Vnesheconombank and other state-owned banks proved instrumental to the financing of the Olympic project.

As part of preparations for the Sochi Olympics, Vnesheconombank supported 20 investment projects with a total cost of RUB 330.6 bn and with Vnesheconombank’s commitment totalling RUB 248.6 bn.

As of late 2013, the share of Olympic projects in the Bank’s portfolio totalled 10.62%.

As part of preparations for Winter Olympics 2014, Vnesheconombank implemented tens of investment projects including large-scale sports facilities, an airport and a cargo seaport, advanced hotels, thermal power plants, and hundreds of kilometres of power grids and service lines constructed and commissioned. Our investment helped almost double Sochi’s hotel key count, while the local airport’s throughput capacity grew by almost two and half times. We also supported a range of ambitious projects promoting the development of the regional energy infrastructure that solved the issue of frequent rolling blackouts.

Vnesheconombank’s investment enabled the country to successfully host Winter Olympics 2014, but also to fundamentally improve the quality of life for Sochi residents. Most sports and touristic facilities built in preparation for the Olympic Games will serve for a long time, making Sochi an all-season world-class resort. The Olympics also considerably renewed the transport and energy infrastructure of the region and gave a strong impetus to the construction of social facilities such as hospitals, schools and childcare centres.
SPORTS INFRASTRUCTURE

ROZA KHUTOR SKI RESORT
GORNAYA KARUSEL SPORTS AND TOURISM PROPERTY
CURLING ICE RINK
OFFICE BUILDING OF THE GAMES ORGANISATION COMMITTEE AND OLYMPSTROY CORPORATION
RUSSIAN INTERNATIONAL UNIVERSITY

TRANSPORT INFRASTRUCTURE

SOCHI AIRPORT
SOCHI CARGO SEAPORT

ENERGY INFRASTRUCTURE

SECOND STAGE OF SOCHI THERMAL POWER PLANT
ADLER HYDRO POWER PLANT

TOURIST INFRASTRUCTURE

5* 500-ROOM HOTEL PROPERTY
3* SOCHI-PLAZA HOTEL PROPERTY
A HOTEL FOR IOC REPRESENTATIVES
4* 700-ROOM HOTEL PROPERTIES
4* 200-ROOM APARTMENT HOTEL
A THEME PARK AND A 278-ROOM HOTEL PROPERTY
CAPITAL REPAIR OF SVETLANA HEALTH RESORT
CAPITAL REPAIR OF METALLURG HEALTH RESORT
CAPITAL REPAIR OF THE KORALL BUILDING OF ADLERKURORT HEALTH RESORT
Success story

Construction and Operation of Roza Khutor Ski Resort

Project initiator/Borrower: LLC Company for Development of Mountain Ski Resort “Roza Khutor”
Total project value: RUB 68.4 bn
Vnesheconombank’s commitment: RUB 55.8 bn

Roza Khutor ski resort became one of the largest sports facilities built actually from scratch as part of preparations for the Sochi Winter Olympics. The resort hosted Olympic ski, freestyle and snowboard competitions. The project is included in the Programme for Construction of Olympic Facilities and Development of the City of Sochi as Alpine Resort approved by the Resolution of the Russian Government.

The project was fully commissioned in 2013. The project’s implementation has enhanced the investment case of the Greater Sochi as a ski resort and contributed to the development of the tourism infrastructure in the Krasnodar Territory. The project created more than 4 thousand new jobs.

As part of the project, the company has constructed the Ski Centre, Snowboard Park, Freestyle Centre, 2,600-bed Mountain Olympic Village, including hotel properties and apartment hotels, sports and training camps, ski pistes and ski-lifts.
Success story

Construction of Adler Thermal Power Plant

**Project initiator:** OJSC Gazprom  
**Borrower:** LLC Gazprom Investprojekt  
**Total project value:** RUB 28.0 bn  
**Vnesheconombank’s commitment:** RUB 19.5 bn

Adler Thermal Power Plant built as part of the project, with an installed electricity capacity of 360 MW and thermal capacity of 227 Gcal/h, covered more than one third of the load during the Olympic Games. The project is included in the Programme for Construction of Olympic Facilities and Development of the City of Sochi as Alpine Resort approved by the Resolution of the Russian Government.

The Adler TPP opening ceremony was held on 21 January 2013 in the presence of Russian Prime Minister Dmitry Medvedev and Chairman of Gazprom’s Management Board Alexey Miller.

“This project is of specific importance as Adler TPP is the largest source of electricity and heat supply to Olympic facilities during Sochi Winter Olympics 2014... On the back of the existing energy shortages and the forecast load build-up in the region, the availability of an own generation source in the Sochi energy district will cut down the electricity overflow from adjacent energy systems and ensure reliable supply to consumers.”

Mikhail Poluboyarinov, First Deputy Chairman of Vnesheconombank, Management Board Member

The operation of Adler TPP after the Olympics will ensure reliable electricity and heat supply to Sochi and its neighbouring territories and strengthen the region’s energy security due to lower consumption of energy from adjacent energy systems. The TPP is operated using advanced combined cycle electricity generation technologies that make natural gas use more efficient. The project also created 187 new jobs.
Impact on Investment
Climate Improvement

03
Coordination and effective interaction

We recognize that it is only through pooling the efforts for achievement of a common goal that impressive results could be delivered. We are invariably seeking to identify ways of effective cooperation with all the stakeholders. Well-coordinated efforts of the Bank’s employees serve as a key prerequisite for the continuity of our policies.
SMEs are the key economic growth driver in many developed countries. They also play an increasingly important role in the social and economic development of the Russian Federation. As a development institution, Vnesheconombank provides financial and guarantee support to SMEs operating in the non-trading sector of the economy. Among production industries, the priority is given to projects promoting innovations, modernisation and energy efficiency.

3.1. Support to Small- and Medium-sized Enterprises

As of late 2013, the amount of loans issued to SME under the SME financial support programme totalled RUB 96.1bn.

The overall amount of loans issued to SME by SME Bank since the programme’s launch exceeds RUB 397bn.

As of late 2013, the average weighted rate for the portfolio of loans issued to SME by partner banks stood at 12.7%.

In 2013, support to SME was provided in a challenging macroeconomic context. Over the year, the amount of the portfolio of loans issued by banks to SME grew by only 14.8%, which is noticeably lower than in 2011 and 2012. The share of the SME segment in the bank loan market dropped by 0.5 percentage points to 16%. Non-price terms of lending to SME changed to the worse. To illustrate, Expert RA rating agency estimated that only about 15% of loans issued to SME in 2013 had maturities that exceeded 3 years (against 17% in 2012 and 19% in 2011).

Despite the Russian bank loan market going downhill, we were able to considerably build up our financial support to SME and bolster the development of new and emerging financing markets.

In 2013, Vnesheconombank successfully continued implementing the government programme of financial support to SME via its subsidiary SME Bank. Also in 2013, SME Bank became an operator of the sovereign guarantee-based mechanism of support to medium-sized enterprises.

Other subsidiary banks of the Group (GLOBEXBANK and Sviaz-Bank) also run their own SME lending programmes. Bank BelVEB, a foreign member of the Group, made a sizeable contribution to SME development in Belarus. The lease programme for SME is implemented by VEB-Leasing, while EXIAR is charged with support to exports of commodities and services by SME.
Mechanisms of financial support to SME involving Vnesheconombank Group

- Implementation of the Guarantee-Based SME Support Mechanism via SME Bank
- SME Financing via SME Bank
- SME Financing via Other Vnesheconombank Subsidiaries
- Guarantees Issued by Vnesheconombank to Russian Banks that Lend to SME
- Leasing Services Provided to SME
- Insurance Support to Goods and Services Exports by SME
- Cooperation with International/National Financial Institutions

SME
SME financing via SME Bank

Under the Programme for Financial Support to Small and Medium-Sized Enterprises, SME Bank provides financing to SME via authorised partner banks and infrastructure organisations (lease, factoring, and micro-finance firms). The Programme focuses on financing non-trading SME that implement innovation, modernisation and energy efficiency projects.

The strategic segments and implementation priorities of the Programme are defined in the Strategy of SME Bank for 2013 – 2015. Under this Strategy, the Bank is planning to lend RUB 106.2 bn to SME from strategic segments by late 2015.

To implement the Programme for Financial Support to SME, Vnesheconombank increased the capital of SME Bank by a total of RUB 12.5 bn, including by increasing the subsidiary bank’s authorised capital by RUB 542.0 mn in 2013. Vnesheconombank also provided SME Bank with long-term loans for a total of RUB 41.847 bn, including a USD 87.0 mn tranche of KfW’s loan extended in 2013.

Loans under the Programme are granted to SME for up to 7 years and in the amount of up to RUB 150 mn. The average weighted rate for the portfolio of loans issued by partner banks under the Bank’s SME programme is 12.7%.
As of late 2013, the number of agreements signed between partner organisations and SME under the Programme exceeded 24 thousands. Over 64 thousand SME in total received the support throughout the term of the Programme.

Since its launch, the Programme involved more than 400 partner financial institutions, with 257 organisations being its members at present.

Support under the Programme is provided to SME in 82 Russian regions, including in 167 out of 342 single-industry towns. The Central and Volga Federal Districts lead the market in terms of support to SME.

The following results were achieved by the end of 2013 in focus areas of support to SME under the Programme:

- loans to SME implementing innovative, modernisation and energy efficiency projects: RUB 57.6 bn;
- units acquired in private equity funds: RUB 0.5 bn;
- long-term loans to non-trading SME outside the innovative segment: RUB 8.9 bn;
- financing via leases, except railway and cars: over RUB 9.2 bn;
- support via factoring services for non-trading SME: RUB 2.0 bn;
- support via microfinance tools: RUB 3.9 bn.
Success story

Renovation of the Heat Supply System in Bakal, Satkinskiy District, Chelyabinsk Region

Winner of the Best SME Project category of Development Award 2013

Initiator: LLC Ural Energo Development
Total project value: RUB 311.7 mn
SME Bank’s commitment: RUB 120 mn

The project provides for modernisation of the heat supply system in the town of Bakal, including installation of 4 highly efficient state-of-the-art block-modular boilers. The project is implemented under the Integrated Programme for Modernisation and Reforming of Public Utilities in the Chelyabinsk Region in 2011 – 2020 through PPP mechanisms.

The economically viable resource-saving technologies applied in the project will notably raise the quality of public utility services while leading to a sizeable cost cutback. The annual savings on public funds formerly spent to maintain loss-making public utilities is planned to reach RUB 90 mn. Moreover, the project’s implementation will improve the better environmental situation and enhance the investment case of local high-potential production facilities.
Guarantee-based mechanism of support to SME

Launched in 2013, the guarantee-based mechanism of support to medium businesses is another critical tool that seeks to improve access by medium-sized enterprises to financing. It was developed in line with the Executive Order “On Long-Term State Economic Policy” by the Russian President.

SME Bank is appointed as an operator of the sovereign guarantee-based mechanism of support to medium-sized enterprises.

All liabilities of SME Bank under bank guarantees issued within the mechanism are secured with Vnesheconombank’s bank guarantee for RUB 40 bn. In its turn, Vnesheconombank’s bank guarantee is partially secured with a sovereign guarantee of the Russian Federation. The implementation of the guarantee-based mechanism of support to SME will help commercial banks issue loans to medium-sized enterprises for up to RUB 80 bn secured with a reliable guarantee.
The guarantee-based mechanism aims to support medium enterprises other than those involved in the commodity and trading sectors. The cost of guarantee-backed projects will range from RUB 100 mn to RUB 2 bn. The enterprise must invest in the project at least 20% of its equity. The cost of guarantees will not exceed 1.8% per annum and will be within the range between 1.5 and 1.8%. For innovative projects, guarantees will be provided at the lowest interest rate.

Vnesheconombank is expected to intensify its efforts under the guarantee-based mechanism of support to medium-sized enterprises launched in 2013 and, as a result, bring its total loans to SME to the target amount of RUB 106.2 bn by late 2015.
Forecast performance by SME Bank in terms of current liabilities under the guarantee-based mechanism of support to medium-sized enterprises, 2014 – 2018 (RUB bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Current liabilities under guarantees</th>
<th>Provisions for current debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>40.05</td>
<td>2.40</td>
</tr>
<tr>
<td>2017</td>
<td>40.10</td>
<td>2.40</td>
</tr>
<tr>
<td>2016</td>
<td>32.70</td>
<td>1.96</td>
</tr>
<tr>
<td>2015</td>
<td>20.69</td>
<td>1.24</td>
</tr>
<tr>
<td>2014</td>
<td>8.54</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Forecast number of guarantees issued by SME Bank under the guarantee-based mechanism of support to medium-sized enterprises, 2014 – 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of (new) guarantees issued (number of guarantees)</th>
<th>Amount of liabilities under new guarantees (RUB bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>70</td>
<td>12.25</td>
</tr>
<tr>
<td>2017</td>
<td>86</td>
<td>15.05</td>
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<td>2016</td>
<td>76</td>
<td>13.30</td>
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<tr>
<td>2015</td>
<td>70</td>
<td>12.25</td>
</tr>
<tr>
<td>2014</td>
<td>50</td>
<td>7.50</td>
</tr>
</tbody>
</table>

Success story

Expansion of Self-Adhesive Sticker (Label) Output

Initiator: LLC Isratek (Zhukovsky, Moscow Region)
Total project value: up to RUB 114 mn

The funds will be provided via Vozrozhdenie Bank. SME Bank issued the first guarantee to Vozrozhdenie Bank for the recovery of a loan issued to LLC Isratek to implement an investment project for the expansion of the company’s self-adhesive sticker output.

The RUB 15 mn guarantee was issued for 5 years and 4 months. The share of the loan secured with SME Bank’s guarantee is 16.5%, with the remaining amount secured with a pledge over the borrower’s equipment.

The financing will be used to acquire new process equipment that will enable the company to increase its output by more than 30% over the year.
Support to SME by Vnesheconombank Group's Entities

<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Details</th>
</tr>
</thead>
</table>
| SME Bank | - As of late 2013, SME Bank’s loan portfolio in the SME segment stood at RUB 96 bn  
- Since the actual launch of the mechanism for guarantee support to exports by medium-sized enterprises in August 2013, SME Bank issued 9 bank guarantees for a total of more than RUB 1.06 bn, thus ensuring an access for medium-sized enterprises to bank loans for a total exceeding RUB 2.2 bn |
| Eximbank of Russia | - In 2013, Eximbank of Russia started providing its SME export support services. As of the year-end, the amount of export support provided to SME totalled RUB 1.5 bn |
| EXIAR | - As of late 2013, the amount of export support provided by EXIAR to SME totalled USD 50 mn  
- In 2013, the Agency developed a specialised programme to insure export factoring for SME. Under the programme, the Agency signed a cooperation agreement and a framework insurance agreement with CJSC National Factoring Company, with the insurance capacity limit of RUB 1 bn  
- In 2013, the Agency developed the Programme for insurance of banks against non-payment risks under export support loan agreements with SME |
| VEB-Leasing | - As of late 2013, VEB-Leasing leased out vehicles, special machinery and equipment to 14.8 thousand SME  
- The amount of lease agreements with SME exceeded RUB 51.2 bn, while the number of agreements signed exceeded 24.6 thousand |
| Sviaz-Bank | - As of late 2013, Sviaz-Bank serviced 590 SMEs, with the Bank's loan portfolio in the SME segment standing at RUB 9.5 bn and an average weighted rate of 12.1% |
| GLOBEXBANK | - As of late 2013, GLOBEXBANK serviced 367 SMEs, with the Bank's loan portfolio in the SME segment standing at RUB 22.0 bn and an average weighted rate of 10.8% |
| Bank BelVEB | - As of late 2013, Bank BelVEB serviced 20.6 thousand SME, with the Bank’s loan portfolio in the SME segment standing at RUB 15.5 bn |
Relations with development institutions

In 2013, Vnesheconombank and the German development bank KfW continued working on the project for establishing the International Fund to Support Entrepreneurial Activity. The core objective of the Fund consists in providing long-term loans to banks that finance small- and medium-sized enterprises and direct investing in rapidly growing SMEs that implement non-trading projects with the financing volume ranging between RUB 150 mn and RUB 1 bn.

Vnesheconombank and KfW also cooperate in the scope of the Pilot Baltic Initiative developed under the auspices of the Russian and German Ministries of Foreign Affairs. As part of the Initiative, KfW provided Vnesheconombank with more than USD 110 mn to support non-trading SMEs of the North Western Federal District. The loans are issued via SME Bank and its partner banks that received about 80% of the allocated funds in 2013.

In 2013, within the framework of the Initiative, a special credit product, Baltika-Innovatsii, was developed, and 10 innovative SME projects were selected for potential financing for a total exceeding RUB 700 mn.

In 2013, the parties also continued cooperating under the agreement on the Germany-Russia SME financing initiative launched by Vnesheconombank and KfW in 2009. Pursuant to the agreement, KfW issues targeted 5-year loans to Russian commercial banks to finance small- and medium-sized enterprises against Vnesheconombank’s guarantees. As of late 2013, the portfolio of guarantees issued under this initiative totalled USD 33.3 mn.
3.2. Development of PPP Mechanisms

Developing its transport, public utility and social infrastructure is instrumental for Russia in addressing existing bottlenecks in terms of public services at the national, regional and urban levels that constrain its rates of modernisation, economic growth and improvements to the quality of life. The most efficient way to address these ambitious tasks, which is widely used worldwide, consists in pooling the efforts of the state and business community via public private partnership projects. Promoting the PPP project market is our strategic goal. In achieving this goal, the Bank provides financial and non-financial support to projects delivered by public and municipal authorities involving private capital.

In its investment operations, Vnesheconombank favours projects based on public private partnership (PPP) mechanisms. By financing major PPP projects of nationwide consequence, we facilitate a faster infrastructure debottlenecking of the economic growth and more robust relations between the government and business community.

In 2013, Vnesheconombank completed the work under 4 state contracts for investment consultancy services for constituent entities of the Russian Federation related to the preparation of PPP investment projects.

Under the new state contracts made in 2013, investment consultancy services will be provided with respect to 7 PPP projects.
### Scope of PPP projects in Russia

#### INTEGRATED TERRITORIAL DEVELOPMENT
- Preparation of the transport, engineering and social infrastructure platforms:
  - for affordable integrated housing development;
  - for industrial development;
  - for technology parks;
  - for Special Economic Zones;
  - for agro-industrial facilities;
  - interregional projects

#### TRANSPORT INFRASTRUCTURE
- Roads, bridges, interchanges
- Pipeline
- Railways
- Airports
- Sea and river ports
- Public transport
- Logistical centres

#### PUBLIC UTILITY INFRASTRUCTURE
- Heat supply
- Water supply, water disposal and treatment
- Land improvement
- Modernisation of public utility and industrial service lines for safer operation and better life quality

#### COMPUTERISATION
- Multifunctional and administrative centres
- E-government infrastructure
- Broadband Internet access infrastructure

#### ENVIRONMENT
- Waste management infrastructure
- Efficient natural resource management

#### SOCIAL INFRASTRUCTURE
- Healthcare
- Social services
- Education

#### ENERGY INFRASTRUCTURE
- Energy saving and higher energy efficiency in the public utility and industrial sectors

#### TRANSPORT INFRASTRUCTURE
- Roads, bridges, interchanges
- Pipeline
- Railways
- Airports
- Sea and river ports
- Public transport
- Logistical centres
Success story

Renovation and Operation of Pulkovo International Airport (First Phase)

Project initiator: Northern Capital Gateway Ltd. (Saint Petersburg)
Total project value: EUR 1.2 bn
Vnesheconombank's commitment: RUB 10.0 bn
The project is planned to create 585 new jobs
Expected tax receipts: RUB 20 bn

Pulkovo Airport won the National ROSINFRA Award as the best PPP infrastructure project in the transport industry in the Airport Infrastructure category.

The project seeks to set up an advanced airport terminal and develop the airport’s service infrastructure by building a new passenger terminal, renovating the existing Pulkovo-1 terminal, and upgrading the airfield and engineering infrastructure of Pulkovo Airport. The project is implemented under an agreement for creation, renovation and operation of facilities owned by Pulkovo Airport made between Northern Capital Gateway Ltd., Saint Petersburg Government and JSC Pulkovo Airport.

As of today, the project is a unique example of a public private partnership in Russia that is implemented without government investment.

On 4 December 2013, the new passenger Terminal-1 of Pulkovo Airport welcomed its first passengers.
Investment consultancy and monitoring

In 2013, in line with Resolution No. 1372-r by the Russian Government dated 17 August 2010, Vnesheconombank continued performing its functions as the sole investment consultancy service provider to constituent entities of the Russian Federation under government contracts for the procurement of PPP investment projects.

Under the contracts, we provide assistance to public and local authorities in implementing sectoral, regional or urban public infrastructure development strategies applying PPP solutions.

The value of investment consultancy services provided by Vnesheconombank on PPP projects in 2013 totalled RUB 24.62 mn.

Key areas of Vnesheconombank’s operations in developing the PPP project market

- Investment consultancy on preparation of PPP investment projects for Russian constituent entities
- Implementing the Programme for Financial Support to Regional and Urban Development Projects operated by the Federal Centre for Project Finance
- Performing the functions of a financial advisor to the Russian Government on projects applying for government support from the Investment Fund of the Russian Federation
- Developing the legal regulatory framework on PPP issues
- PPP-related education
Investment consultancy services provided by Vnesheconombank result in investment projects meeting the requirements of the relevant constituent entity of the Russian Federation, financing organisations and potential investors, including legal, financial and economic, and engineering project documentation, an analysis of the market of potential project stakeholders, a package of documents for a bidding procedure to select the investor, and advice at the bidding procedure stage.

In 2013, Vnesheconombank completed working on government contracts for investment consultancy services to the Astrakhan, Irkutsk, Nizhniy Novgorod, and Yaroslavl Regions with respect to investment projects for social and transport infrastructure and public utility development. The total value of these projects was about RUB 50 bn.

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**Project: PPP-Based Construction of Childcare Centres in the Astrakhan Region**

**Initiator:** Ministry of Economic Development of the Astrakhan Region  
**Preliminary project value:** RUB 4.032 bn

The project will increase the capacity of preschool educational institutions of the Astrakhan Region by more than 5 thousand places and will create over 600 new jobs.

As part of its investment consultancy services, Vnesheconombank prepared the project’s legal and financial models, drafted an investment memorandum and packages of contract and bidding documents. At this project stage, the parties have selected the private partner via a bidding procedure and signed an agreement on public private partnership.

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**Project: Development of Airport Infrastructure at the Existing International Airport of Irkutsk**

**Initiator:** Ministry of Economic Development of the Irkutsk Region  
**Preliminary project value:** RUB 1.92 bn

The project will facilitate the economic growth in the Irkutsk Region and support the infrastructure of the existing international airport of Irkutsk until a new advanced transport terminal is commissioned.

As part of its investment consultancy services, Vnesheconombank determined the conditions for project implementation on PPP terms, including via concession agreement mechanisms, prepared a financial and economic feasibility study for the transfer of shares in JSC International Airport Irkutsk and the property of the airfield of Irkutsk from the federal authorities to the Irkutsk Region.
Project: Construction of a Bridge over the Volga River in the Area of the Village of Podnovye (Nizhniy Novgorod Region)

Initiator: Government of the Nizhniy Novgorod Region
Preliminary project value: RUB 40 bn

The project will improve transport communications between Nizhniy Novgorod and Bor, considerably cut down transport and time costs for local residents, make traffic safer and contribute to the territory’s development.

As part of its investment consultancy services, Vnesheconombank drafted an investment memorandum, and bidding and contract project documentation. The Government of the Nizhniy Novgorod Region adopted a resolution on the need to set up a transport model for the project. The project is planned to be implemented in 2014.

Project: Inter-municipal Water Supply and Sanitation Project in the Yaroslavl Region

Initiator: Economic Development Department of the Yaroslavl Region
Preliminary project value: RUB 3.2 bn

The project will solve a key issue of the Region’s public utility sector: the worn-out state of public water supply and sanitation infrastructure that constrains the Region’s economic growth and adversely affects the quality of life of local residents and the environment.

As part of its investment consultancy services, Vnesheconombank prepared the terms of the inter-municipal projects, determined the terms and conditions for private investment, developed legal models for project implementation, ran an engineering survey in 15 municipalities, and made a high-level financial assessment of project performance indicators.

In 2013, Vnesheconombank signed a number of new government contracts for consultancy services to the Perm Territory, the Republic of Bashkortostan, and Omsk, Orenburg and Rostov Regions with respect to potential PPP investment projects. The Bank also signed an agreement for investment consultancy services to Institute for Development of Road Transport Complex LLC. The total value of these projects, most of which focus on the development of social and transport infrastructure, exceeds RUB 93 bn.

In 2014, we are planning to achieve the following key targets:

- set up a mechanism for consolidation, accumulation and rollout of the intellectual capital generated by PPP projects;
- ensure that income generated by Vnesheconombank under existing government contracts and investment consultancy agreements reaches at least 8% of their total cost;
ensure 100% performance of obligations by Vnesheconombank under existing government contracts and investment consultancy agreements;

/ ensure appropriate quality of services under 100% existing state contracts and investment consultancy agreements provided that the customer has no complaints.

Vnesheconombank’s legislative initiatives promoting PPP mechanisms

As of late 2013, laws on involvement of Russian regions in PPP projects were adopted in 66 Russian regions, including 30 constituent entities with support by Vnesheconombank.

Four laws on involvement of Russian regions in PPP projects were adopted in 2013, including 3 Russian regions with support by Vnesheconombank.

In 2013, Vnesheconombank continued its involvement in the finalisation of the draft Federal Law “On the Principles of Public Private Partnership in the Russian Federation”. This draft law initiated back in 2012, has become a milestone event that offers new opportunities for private investment in public infrastructure projects. The document is intended to address Russia’s lack of legal instruments governing PPP projects at the federal level.

In 2013, the draft law was adopted by the State Duma in the first reading. The hearing of the draft law by the Council of the State Duma of the Federal Assembly of the Russian Federation was adjourned to a later date.
Training the talent pool to promote PPP

The Public Private Partnership Chair of the Financial University under the Government of the Russian Federation continued its work in 2013. Set up by Vnesheconombank, the Chair offers its students training in skills required for PPP project development. The Chair also actively provides training and re-training services to employees of public and local authorities and representatives of business and other organisations involved in the implementation of public infrastructure projects.

In 2013, over 125 students were trained under career enhancement programmes of the PPP Chair of the Financial University under the Government of the Russian Federation.

<table>
<thead>
<tr>
<th>Educational events held in 2013 as part of the PPP Chair’s programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term career enhancement programme on Management of Public Private Partnership Projects, Ufa (from 19 to 20 February 2013)</td>
</tr>
<tr>
<td>Career enhancement courses on Management of Public Private Partnership Projects in Russian Regions, Moscow (from 8 to 27 April 2013)</td>
</tr>
<tr>
<td>Career enhancement courses on Management of Public Private Partnership Projects in Russian Regions, Moscow (from 5 to 23 November 2013)</td>
</tr>
</tbody>
</table>

In April and November 2013, the Chair held career enhancement courses of 72 academic hours, which were attended by 80 students from 42 Russian constituent entities. While implementing new training formats in Ufa, the Chair tested a short-term career enhancement programme of 18 academic hours, which was attended by 41 students.

In 2013, the Chair continued providing master degree training in Management under the Management of Public Private Partnership Projects programme. In September 2013, the Chair launched standard doctorate courses on Economics and National Economy Management.

The Chair also offers career enhancement courses for faculty members and organises the methodological and research work on public private partnerships.

In 2013, Vnesheconombank continued to provide information and technical support to the Public Private Partnership in Russia web-site to promote the PPP concept among public and local authorities and the business community. The web-site was launched in 2010 to promote the PPP project market in Russia and has already proven itself as the leading expert platform for sharing experience in PPP projects. Over 50 thousand users visited the web-site in 2013.
3.3. Support to Exports

To launch a robust accelerated growth and ensure its competitive edge, the Russian economy needs to push its export opportunities and diversify exports. Moving Russian complex manufacturing products to external markets becomes increasingly critical, along with a wider sales geography and stepped-up exports. We view our support to exports of high-tech Russian products as a core priority of the Bank as the national development institution.

In 2013, Vnesheconombank's export finance portfolio exceeded RUB 122 bn of loans and bank guarantees. The total amount of Russian industrial exports supported by the Bank exceeded RUB 663 bn.

To enhance its performance in promoting national exports, Vnesheconombank applies a comprehensive approach that provides for expanding and improving the mechanisms of support to Russian manufacturers. In 2013, Vnesheconombank's priorities in export support were as follows:

/ expand lending to foreign buyers of Russian high-tech products;

/ enhance the efficiency of export finance business processes;

/ set up an integrated framework for Vnesheconombank Group's support to exports.

In 2013, Vnesheconombank was actively building up its financial support to Russian industrial exports. During the year, the Bank's export loan portfolio grew by more than 1.5 times to RUB 22.3 bn as of the year-end. The portfolio of guarantees issued by Vnesheconombank to support exports more than doubled over the year to reach RUB 99.6 bn.

By the end of 2013, the overall export financing portfolio of Vnesheconombank attained RUB 122.1 bn. The amount of all contracts supported by the Bank totalled RUB 663.3 bn, including RUB 491.9 bn of new contracts that were supported in 2013.

As of late 2013, Vnesheconombank's portfolio included 161 bank guarantees and 17 export loan agreements. During the year, the Bank approved the financing of 7 export projects for a total exceeding RUB 112 bn. Support was provided to 32 companies.

In 2013, the Bank also set up an automated inquiry service for inquiries on key export support topics on Vnesheconombank's website to provide comprehensive information and advisory services to Russian exporters on a "one stop shop" basis.
Export finance portfolio (RUB bn)

- 2013: 122.10
- 2012: 62.57
- 2011: 51.60

Vnesheconombank's export finance portfolio broken down by country importing Russian goods and services as of 31 December 2013:

- Asia: 57.1%
- Africa: 33.3%
- North and South America: 9.5%
- Europe: 0.1%
Success story

Support to Exports of Sukhoi Superjet 100

Initiator: OJSC Sukhoi Civil Aircraft

In 2013, Vnesheconombank’s management made a decision to participate in syndicated loans for up to USD 32.1 mn to finance the delivery of 5 Sukhoi Superjet 100 passenger aircraft made by OJSC Sukhoi Civil Aircraft to the end customer, ABC Aerolíneas S.A. de C.V. (Mexican United States). The shipment of Sukhoi Superjet 100 aircraft to Mexico is financed under the tripartite agreement between Vnesheconombank and Coface and SACE export credit agencies of June 2011. The agreement provides for building an integrated system of financing international sales of Sukhoi Superjet 100 using a loan and lease mechanism of financing aircraft exports to foreign buyers. Under the terms of the agreement, insurance coverage will be provided to foreign banks involved in export financing by SACE and Coface agencies.

The exports are financed in the amount equal to 80% of their cost, with Vnesheconombank’s commitment accounting for one third of the total amount of financing. In 2013, Vnesheconombank already allocated USD 6.4 mn to finance exports of Sukhoi Superjet 100 to the Mexican United States.

The most ambitious projects of Vnesheconombank related to the financing of Sukhoi Superjet 100 aircraft exports include the loan agreement with the Indonesian Ministry of Finance for USD 394.3 mn in favour of the Indonesian party.

“For us, the financing of Sukhoi Superjet 100 aircraft exports to Mexico and Indonesia is an important step towards a framework of financial support to exports within Vnesheconombank Group. This is a priority area for the Bank and we are happy to demonstrate both to Russian exporters and to foreign importers that we are committed to efficient cooperation.”

Alexander Ivanov
Deputy Chairman
Management Board Member
Vnesheconombank

The mechanisms used by Vnesheconombank to finance the contracts for export of Sukhoi Superjet 100 airliners showed a fundamental breakthrough in the Bank’s financial policy as the Bank was able to offer foreign buyers and domestic sellers a broad range of financial instruments. They include loans and a guarantee package by Vnesheconombank, insurance coverage of export risks provided by EXIAR and lease products of VEB-LEASING, the Bank’s subsidiary.
### Export support framework in Vnesheconombank Group

#### VNESHECONOMBANK GROUP’S PRIORITIES IN EXPORT SUPPORT

<table>
<thead>
<tr>
<th><strong>LOANS</strong></th>
<th><strong>GUARANTEES</strong></th>
<th><strong>INSURANCE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and loan facilities issued to foreign buyers of Russian products or their banks, including via government subsidies to lower interest rates</td>
<td>Bank guarantees, counter-guarantees and sureties issued to Russian exporters to the benefit of their foreign customers</td>
<td>Insuring Russian exports against business and political risks</td>
</tr>
<tr>
<td>Pre-export financing via loans to Russian businesses</td>
<td>Letters of credit issued and confirmed under export contracts</td>
<td>Insuring outbound Russian investments against political risks</td>
</tr>
</tbody>
</table>

#### VEB BANK FOR DEVELOPMENT

- **Eximbank of Russia**
  - Loans and loan facilities issued to foreign buyers of Russian products or their banks, including via government subsidies to lower interest rates
  - Pre-export financing via loans to Russian businesses

- **Eximbank of Russia**
  - Bank guarantees, counter-guarantees and sureties issued to Russian exporters to the benefit of their foreign customers
  - Letters of credit issued and confirmed under export contracts
  - Russian sovereign guarantees issued to Russian exporters of industrial products, Russian and foreign banks that lend to Russian exporters and importers, non-resident banks, and foreign countries with regard to Russian exports
Operations of EXIAR on export insurance

The amount of exports supported by EXIAR in 2013 exceeded USD 2.2 bn, including USD 50 mn in the SME segment.

Set up for this specific purpose in 2011 as an entity within Vnesheconombank Group, the Export Insurance Agency of Russia (EXIAR) today plays a key role in promoting the mechanisms for insurance support to Russian exports. EXIAR is the first export credit agency in the history of Russia.

As part of its operations, EXIAR:

/ provides insurance support to exports of Russian goods and services;

/ builds an advanced export financing framework secured with the Agency’s insurance coverage;

/ provides insurance support to outbound Russian investments;

/ supports export-oriented SMEs.

The Agency’s insurance coverage serves to secure Russian export loans against business and political risks and to protect outbound Russian investments against political risks. EXIAR’s customers include Russian exporters, including SME, and Russian and foreign lending institutions, banks and other financial organisations. In terms of sectoral support, EXIAR prioritises support to exports of innovative high-tech products.
Support to Russian exports by Eximbank of Russia

Eximbank of Russia was established to implement the government policy seeking to support and encourage the national industrial exports, set up import-substitution businesses and assist in attracting investment in the Russian economy.

Under the Concept for Promoting Government Financial (Guarantee) Support to Industrial Exports in the Russian Federation, Eximbank of Russia acts as an agent of the Russian Government in providing government financial support to Russian exports and is responsible for addressing the following tasks:

/ implementing the government policy for guarantee support to Russian exports oriented at strengthening the competitive positions of Russian exporters in conventional markets of emerging and CIS countries;

/ conducting a uniform government policy under programmes for cooperation with international financial institutions to promote investment projects seeking to support industrial exports and aimed at upgrading the manufacturing capabilities of Russian exporters to supply high value added exportable products at later stages;

/ assisting Russian exporters in promoting their industrial products in relevant markets;

/ providing Russian exporters with access to long-term debt, including pre-export loans at the lowest market rates.

As of late 2013, Eximbank of Russia’s portfolio of support for Russian exports totalled about RUB 5.5 bn.

Breakdown of financial support to Russian exports by Eximbank of Russia by sector as of 31 December 2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>40%</td>
</tr>
<tr>
<td>Industry</td>
<td>34%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>11%</td>
</tr>
<tr>
<td>Commerce</td>
<td>10%</td>
</tr>
<tr>
<td>Construction</td>
<td>3%</td>
</tr>
<tr>
<td>Electric power</td>
<td>2%</td>
</tr>
</tbody>
</table>

11% 10% 3% 2%
Below are the largest projects financially supported by Eximbank of Russia in 2013:

**Project: Modernisation of Termogas Machala TPP in the Republic of Ecuador**

A USD 195.2 mn loan agreement was signed in the Kremlin during the visit by Ecuadoran President Rafael Correa Delgado to Moscow in October 2013. The loan will be used to finance the modernisation of Termogas Machala thermal power plant in the Republic of Ecuador. Eximbank of Russia acted as the syndicate arranger, payment agent, security agent and a lender under the project. Russian Inter RAO Export will provide the design, delivery, construction, installation and commissioning of an auxiliary gas turbine unit. The project will become the first Ecuadoran combined (steam and gas) cycle thermal power plant, while its installed capacity will grow by 170 MW to 300 MW. The project was awarded the Deal of the Year award by UK Trade Finance Magazine.

**Project: AN-158 Aircraft Exports to Cuba**

As an agent of the Russian Government, Eximbank of Russia provided sovereign guarantees for USD 82.6 mn under a loan deal for the exports of AN-158 aircraft to Cuba. Under the USD 75 mn loan agreement, in 2013 Cuban Aviaimport S. A. received 3 aircraft on financial lease terms via Russian Ilyushin Finance Co. The delivery of AN-158 passenger aircraft became the first project for support to export products made on international cooperation terms. The aircraft supplied under the project were manufactured in Ukraine and consist of Russia-made components by more than 60%.

**Integration of OECD’s requirements to export support**

In 2013, Vnesheconombank Group's entities actively participated in implementation of OECD requirements to export support. Eximbank of Russia plays an important role in this process. Eximbank of Russia is a member of the Interdepartmental Working Group that prepares proposals to align Russian laws on exports support with OECD rules, and a member of OECD's Working Party on Export Credits and Credit Guarantees that is charged with working out general approaches to government support for national exports.
EXIAR is also fully involved in this area as an institution intended to support export loans. In 2013, representatives of EXIAR took part in meetings of Russian interdepartmental working groups on implementation of OECD standards, including those dedicated to meeting the requirements to prevention of bribery of foreign officials and on environmental and social assessment of deals for government-supported export loans. At the international level, EXIAR participated in meetings of OECD’s Working Party on Export Credits and Credit Guarantees.

In 2013, Eximbank of Russia developed and implemented the Regulations on Combating Corruption/Bribery of Officials Related to the Review of Applications for Financial and/ or Guarantee Support to Russian Exports Involving Sovereign Guarantees of the Russian Federation. The Regulations are based on OECD requirements. The Bank also launched a review of OECD requirements related to the environmental and social assessment of export projects financed against sovereign guarantees.

EXIAR approved its Procedure for Combating Bribery of Foreign Officials in EXIAR and launched the drafting of its corporate regulatory documents on the environmental and social assessment of government-supported export loans in line with OECD requirements.

3.4. Attracting Foreign Investments and Technologies

Attracting external investments, foreign technologies and talents to the Russian economy to promote projects that are of strategic importance for Russia lies at the heart of our efforts to expand the range of economic and geopolitical influence of the Russian Federation in the international context, reinforce its international relations and engage in the international exchange of experience and expertise in the financial sector. As a development bank, Vnesheconombank interacts with major international development institutions whose operations meet the Bank’s strategic priorities and focus on stronger economic relations.

In 2013, Vnesheconombank attracted USD 2,932 mn into the Russian economy under loan agreements with foreign banks.

This money was used to implement 12 major investment projects in Russia.
Attracting foreign investments

From sustainability standpoint, innovation and infrastructure development, environmental protection and energy efficiency are priority areas in Vnesheconombank’s cooperation with international institutions and financial organisations in terms of attracting foreign investments in joint projects in Russia to encourage the country’s economic growth.

In 2013, Vnesheconombank signed a number of agreements with foreign banks as part of structured financing deals. The agreements provide for medium- and long-term loans for a total of about USD 2,932 mn to be extended to finance 12 large-scale investment projects in Russia. The largest loans from foreign banks were used to finance the project for construction of the Boguchany Aluminium Smelter for USD 700 mn with a total maturity of 5 years, and the project for construction of a multifunctional facility in the territory of MJSC Slava (Second Watch Factory) for USD 800 mn with a total maturity of up to 6.5 years.

In 2013, we also issued 4 series of Eurobonds for a total of USD 2 bn and EUR 1.5 bn. The proceeds from the Eurobonds were used to finance the Bank’s priority projects.

The cooperation agreement signed between Vnesheconombank and the international investment group Adams Street Partners in 2013 became an important milestone in Vnesheconombank’s efforts to attract foreign investments for the Russian economy. The agreement envisages a wider access by Russian businesses to long-term financial resources in the form of direct investment and mezzanine debt. For this purposes, the parties are planning to set up a joint Fund of Funds that will operate via private equity funds. Resources offered by the Fund of Funds will be available to Russian and European Russia-bound investment funds with successful business history.

The operations of the Fund of Funds will be aligned with key areas of the EU/Russia Partnership for Modernisation initiative and will expand horizons for practical interaction between Russia and the EU.

A key role in attracting foreign investments in the Russian economy will be played by VEB Asia Ltd. incorporated in Hong Kong in 2013. The company with an authorised capital equivalent to USD 30 mn is 100% owned by Vnesheconombank. The key objectives of the company consist in:

- engaging Asian investors in financing ambitious projects in Russia;
- supporting Vnesheconombank’s operations in terms of relations with investors in the Asian market;
- assisting Russian companies in accessing Asian capital markets;
- promoting Russian industrial exports to the markets of East and South-East Asia, including in cooperation with EXIAR.
Relations of Vnesheconombank with international financial organisations and development institutions

In 2013, Vnesheconombank continued its active relations with major international financial organisations and regional development institutions both on a bilateral basis, and in the framework of relevant unions, clubs and associations. As such, the Bank represented the interests of the Russian financial sector abroad, participated in the preparation of international sectoral standards and shared experience in leading-edge banking technologies and products.

Vnesheconombank was fully involved in a number of events that are important for the Russian economy such as Saint Petersburg International Economic Forum, Krasnoyarsk International Forum, and Davos Economic Forum. The Bank also initiated and organised the Sustainable Growth through Long-Term Investments international conference.

### Vnesheconombank’s initiatives on cooperation with international development institutions in 2013

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRICS interbank cooperation</td>
<td>In 2013, partner banks under BRICS’s interbank cooperation mechanism signed the Multilateral Infrastructure Co-financing Agreement for Africa and the Multilateral Agreement on Cooperation and Co-Financing for Sustainable Development. The key objectives of BRICS for the coming period include improvements to the mechanisms of lending in national currencies and cooperation in co-financing of investment projects.</td>
</tr>
<tr>
<td>Interbank Consortium of the Shanghai Cooperation Organisation (SCO IBC)</td>
<td>In 2013, SCO IBC adopted the Regulations on the Operating Procedure of SCO IBC’s Working Group for Examination of Joint Investment Projects and the Mechanism of Guarantees and Investment Insurance. The key mid-term objectives of SCO IBC include improving the mechanism of joint project activities, enhancing efficiency of relations with the SCO Business Council and authorised financial institutions of countries that have respective statuses in the SCO and analysing the potential expansion of relations with other economic entities and financial institutions operating in the SCO’s framework.</td>
</tr>
<tr>
<td>EU and Russia Partnership for Modernisation initiative</td>
<td>In 2013, as part of cooperation with European development institutions on the EU and Russia Partnership for Modernisation initiative, Vnesheconombank signed 2 loan agreements with the European Investment Bank (EIB) for up to EUR 200 mn and up to USD 150 mn. The agreements provide for loans to be issued to Vnesheconombank to implement SME support projects.</td>
</tr>
<tr>
<td>Creation of the Moscow International Financial Centre (MIFC) in Russia</td>
<td>In July 2013, Vnesheconombank hosted the 5th meeting of the MIFC UK-Russia Joint Liaison Group (ILG). At the meeting the parties discussed current issues related to the following areas of ILG operation: development of the derivatives market; operations with securities; expansion of public private partnership mechanisms. The parties also discussed alternative justice; improvements to the legal regulatory and administrative environment; education, training and certification of professional financial market players; specifics of branding, marketing and public relations with respect to MIFC creation. As a result of the meeting, the parties agreed to continue their relations in the above areas on a regular basis.</td>
</tr>
<tr>
<td>Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)</td>
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</table>
| In 2013, Vnesheconombank joined ADFIAP as a full member with a voting right. As such, the Bank will have the right to participate jointly with other members of the Association in the financing of projects in such areas as infrastructure, environment, energy efficiency, social development, microfinancing and financing of SME projects.  

The meeting of the General Assembly of ADFIAP held in December 2013 resolved to admit Vnesheconombank to the Board of Directors of ADFIAP.  

In 2014, Vnesheconombank will host the 37th Annual Meeting of ADFIAP in Moscow. |

<table>
<thead>
<tr>
<th>North-East Asia Exim Banks Association</th>
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</thead>
<tbody>
<tr>
<td>In 2013, Vnesheconombank joined the North-East Asia Exim Banks Association set up within the framework of the Enlarged Tumangang Initiative to support project implementation in Mongolia, South Korea, China and Russia, including to set up transport corridors. During the year, Vnesheconombank participated in the Association’s events that were intended to determine its key goals, objectives and strategic benchmarks, and identify projects for potential joint financing in member countries of the Association.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>International Financial Corporation (IFC)</th>
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</thead>
</table>
| In 2013, Vnesheconombank signed a consultancy agreement with IFC under which IFC surveyed the market of energy efficiency projects and prepared draft regulations on a banking product designed to finance energy efficiency projects. In 2014, as part of this area of relations with IFC, Vnesheconombank is planning to complete the development of a specialised banking product that provides for assessment of energy efficiency of investment projects financed by the Bank, build a portfolio of energy efficiency projects for potential financing by IFC and other investors, and hold focused training events for relevant professionals of the Bank.  

Moreover, in 2013, Vnesheconombank and IFC signed a Memorandum of Understanding intended to expand their relations across a range of areas, including potential joint financing of projects in Russia, primarily projects that provide for development of knowledge-intensive green and safe production facilities, waste recycling and waste water treatment. Priority projects also include those aimed at developing the energy sector, enhancing energy efficiency, upgrading infrastructure and raising the quality of public utility services. |

<table>
<thead>
<tr>
<th>IBRD</th>
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</thead>
</table>
| As part of cooperation with the International Bank for Reconstruction and Development (IBRD) that is a member of the World Bank’s Group, Vnesheconombank intensified its borrowings to finance infrastructure and energy efficiency projects that can be potentially financed with IBRD’s loans. The loans for such projects are planned to be taken in 2014 – 2015.  

In 2013, IBRD also took practical steps to provide Vnesheconombank with consultancy services as part of setting up the Regional Innovation Observatory (InnObs). Its launch will allow monitoring and raising awareness about innovation activities in Russian regions, and planning and implementing regional innovation strategies and programmes. |

<table>
<thead>
<tr>
<th>KfW bank group</th>
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</thead>
</table>
| In 2013, Vnesheconombank and KfW signed a Memorandum of Understanding to promote the solid waste disposal sector in Russia based on conservancy and environmental friendliness principles.  

Vnesheconombank also continued its work with KfW and the Permanent International Secretariat of the Council of the Baltic Sea States on implementation of the Tripartite Memorandum of Understanding of 2012. The Memorandum provides for financing of two large projects on support for innovation activities of small and medium enterprises, and for environmentally friendly recycling of municipal solid waste in Saint Petersburg. |

<table>
<thead>
<tr>
<th>Nordic Investment Bank (NIB)</th>
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</thead>
<tbody>
<tr>
<td>In 2013, Vnesheconombank signed a loan agreement with NIB for up to EUR 50 mn to finance energy efficiency projects mainly implemented in the North Western Federal District. Vnesheconombank also joined the Russia Energy Efficiency Programme developed by NIB. The programme provides for, among other things, training of Vnesheconombank’s employees on evaluation of energy efficient projects in 2014.</td>
</tr>
</tbody>
</table>
Key operating results of the Russian Direct Investment Fund for 2013

Since its inception, RDIF has financed 9 projects across a wide range of Russian industries from telecoms to healthcare.

RDIF invested RUB 25 bn in these projects and attracted RUB 77 bn of foreign loans.

RDIF is the first, and the only of its kind, sovereign fund established in Russia in 2011, with the support by the government, to attract foreign investment in major companies in the most rapidly growing sectors of the Russian economy. In its investment operations, RDIF relies on the mechanism of mandatory co-investment by leading financial and strategic investors in an amount equal to, or exceeding, the contribution by RDIF. The Fund’s assets are managed by LLC RDIF Management Company, a 100%-owned subsidiary of Vnesheconombank.

RDIF acts as a co-investor and a partner of international private equity funds, sovereign funds and major strategic investors that directly invest in Russian companies. RDIF shares the risks with its co-investors and seeks to obtain maximum return on invested capital.

In making its investment decisions, RDIF takes into account a number of factors that are viewed as priority areas for financial support by the Fund:

/ robust opportunities and requirements for investment in infrastructure;

/ import substitution;

/ sectors where Russia can boast notable competitive advantages;

/ opportunities for a fundamental increase in enterprise efficiency.

To achieve its core objective of attracting foreign direct investment, human resources and technologies in the Russian economy, RDIF also places a special emphasis on building an attractive investment case for Russia, improving the investment environment and fostering financial activity in the country.

In 2013, RDIF signed a number of agreements with foreign investors on building long-term strategic partnerships to set up joint investment funds and platforms.
### Investment raised in joint platforms and funds under agreements signed (USD / EUR mn)

<table>
<thead>
<tr>
<th>Joint platforms and funds</th>
<th>Investment raised (USD / EUR mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A joint fund with UAE's sovereign fund Mubadala</strong></td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Russia-China Investment Fund</strong></td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Russia-Italy Investment Platform</strong></td>
<td>€500</td>
</tr>
<tr>
<td><strong>Russia-Korea Investment Platform</strong></td>
<td>$500</td>
</tr>
<tr>
<td><strong>Russia-Japan Investment Platform</strong></td>
<td>$500</td>
</tr>
</tbody>
</table>

A joint fund with UAE's sovereign fund Mubadala announced that they had set up a joint fund. Its assets under management (AuM) are planned to reach USD 2 bn. The fund's core goal will be to make joint investments in long-term projects in various economic sectors of Russia.

RDIF and China Investment Corporation (CIC) set up a joint Russia-China Investment Fund, with a capital of USD 2 bn. 70% of this amount will be invested in Russia. Chinese and international investors in the Fund's capital are expected to invest up to another USD 2 bn.

RDIF and Fondo Strategico Italiano (FSI) signed a memorandum setting up the Russia-Italy Investment Platform, with the planned AuM amount of EUR 1bn. The Platform will invest in businesses and projects that promote stronger foreign trade and foreign direct investment between Italy and Russia.

RDIF and Korea Investment Corporation (KIC) signed a memorandum setting up the Russia-Korea Investment Platform. The Platform will invest in businesses and projects that facilitate foreign trade and investment relations between the countries. It will identify investment-attractive projects in bilateral trade and other areas that meet Russian and Korean strategic interests.

RDIF and Japan Bank for International Cooperation (JBIC) signed a joint memorandum setting up the Russia-Japan Investment Platform. Each country invested USD 500 mn in the Platform. As part of this initiative, RDIF and JBIC are planning to invest across a range of areas in trading and economic relations between the two countries, including projects in the Russian Far East and Eastern Siberia.
3.5. Developing the Talent Pool for Investment Operations

Vnesheconombank places a special emphasis on sharing its unique experience and expertise in investment management with investment professionals and young people to build a favourable professional environment that will support long-range and large-scale investment projects in Russia.

Educational Project

The year 2013 saw 13 training events held as part of the Educational Project in more than 10 Russian regions.

The Project’s events were attended by over 650 people.

The Bank’s educational project, Training Professionals Involved in Investment Projects Supported by Development Institutions, was launched by Vnesheconombank more than 5 years ago. The project aims to enhance the professional level of people who prepare and run innovative projects and develop young talents’ capabilities in investment management.

The Bank’s experts are fully involved in training events held under the project: conferences, hands-on workshops, trainings, business games, etc. Most events are held in different Russian regions. They are attended by business and public organisations, independent experts and young people that come to enrich their knowledge on the preparation and implementation of investment projects and test their new skills in hands-on exercises.

We monitor the project’s efficiency through questionnaire-based surveys held among the participants of training events run under the project. Their feedback helps us to improve the contents and organisation of the project’s programme on an ongoing basis.

In 2014, Vnesheconombank is planning to launch an online course on Investment in Development Projects as part of the Educational Project. This will render Vnesheconombank’s relations with regional partners more efficient, especially in geographically remote locations.
Educational Project events held in 2013

<table>
<thead>
<tr>
<th>Hands-on workshop</th>
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</thead>
<tbody>
<tr>
<td>/ Practice of Investment Project Preparation and Management (Samara)</td>
<td></td>
</tr>
<tr>
<td>/ Vnesheconombank Group: Mechanisms of Support to Small and Medium-Sized Enterprises (Saint Petersburg, Yuzhno-Sakhalinsk)</td>
<td></td>
</tr>
<tr>
<td>/ Vnesheconombank Group: Mechanisms of Financial and Guarantee Support to Russian Exports and Defence Businesses (Nizhniy Tagil)</td>
<td></td>
</tr>
<tr>
<td>/ Vnesheconombank: Promoting Public Private Partnership Projects (Yuzhno-Sakhalinsk, Tyumen)</td>
<td></td>
</tr>
<tr>
<td>/ Hands-on workshop for employees of Vnesheconombank’s representative offices (Moscow)</td>
<td></td>
</tr>
<tr>
<td>Business game</td>
<td></td>
</tr>
<tr>
<td>/ Practice of Infrastructure Project Preparation and Management (Barnaul)</td>
<td></td>
</tr>
<tr>
<td>/ Practice of Industrial Project Preparation and Management (Kaluga)</td>
<td></td>
</tr>
<tr>
<td>/ How to Efficiently Manage an Investment Project: From Preparation to Implementation (Pyatigorsk)</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td></td>
</tr>
<tr>
<td>/ Procuring an Investment Project: Practice of Vnesheconombank and Its Partners (Volgograd)</td>
<td></td>
</tr>
<tr>
<td>Advisory Centre of Vnesheconombank Group</td>
<td></td>
</tr>
<tr>
<td>/ Technology Business theme session of the All-Russia Educational Youth Forum Seliger 2013 (Tver Region)</td>
<td></td>
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<tr>
<td>Educational service</td>
<td></td>
</tr>
<tr>
<td>/ How to Procure and Efficiently Manage an Investment Project (Irkutsk Region)</td>
<td></td>
</tr>
</tbody>
</table>
Initiatives on youth relations

Vnesheconombank has been consistently paying special attention to relations with young people to enhance their level of instruction and financial and investment awareness. The Bank also implements projects to encourage research and exploration activities among the young.

Vnesheconombank has been holding themed competitions among university students, postgraduates, young researchers and businessmen on a regular basis. 2013 saw 2 of these competitions: the Best Innovation Project competition for young entrepreneurs organised by Vnesheconombank as part of Seliger 2013 forum, and a competition for student and postgraduate papers on economic and investment capabilities of the Southern Federal District.

Another equally important area of focus consists in ensuring the personnel continuity and passing the accumulated experience on to young talents. Vnesheconombank has been consistently arranging internships and traineeships for talented and promising students and graduates of financial and economic higher education institutions. In 2013, 63 students and 5 young professionals completed their internships and traineeships, respectively, in Vnesheconombank.

In 2013, Vnesheconombank provided internships for 63 young professionals, with 5 students subsequently hired by the Bank.

Vnesheconombank’s awareness initiatives for the young

EDUCATIONAL EVENTS AND DISCUSSION VENUES
/ Youth Club of Vnesheconombank
/ Events within educational forums

PERSONALISED SCHOLARSHIPS
/ A personalised scholarship covering 1 semester and payable to students of the Financial University under the Government of the Russian Federation

COMPETITIONS
/ Vnesheconombank’s competition for the best innovation project among young businessmen
/ A competition for graduate and postgraduate papers on economic and investment capabilities of the Southern Federal District

INTERNSHIPS/TRAINEESHIPS FOR PROFESSIONALS IN THE BANK’S STRUCTURAL UNITS
/ Internships in Vnesheconombank’s structural units
/ Traineeships in Vnesheconombank’s structural units
Youth Club of Vnesheconombank

In 2013 the Youth Club of Vnesheconombank held 10 meetings. 22 participants from among young graduate and postgraduate students were actively involved in the work of the Club.

We are actively promoting new formats of activities with the young, including within the Youth Club of Vnesheconombank established in 2012. The Club is intended to be a permanent discussion venue where students and representatives of the expert community will share their experience and ideas.

For young talents from major Russian economic higher education institutions, participation in the Club’s activities is an opportunity to raise their professional level, but also a rare chance to contribute to finding non-standard solutions to hot-button social and economic issues of the country, including involvement of capabilities of development institutions.

Members of the Youth Club

STUDENTS FROM MAJOR RUSSIAN HIGHER EDUCATION INSTITUTIONS

VNESHECONOMBANK GROUP’S STRUCTURAL UNITS

EXTERNAL EXPERT COMMUNITY
Initiatives by Vnesheconombank Group’s entities related to students and young professionals

To raise financial awareness of the young and maintain a young talent pool, Vnesheconombank Group’s entities widely practice internships and traineeships for graduate and postgraduate students of relevant higher education institutions that take place in their structural units. In 2013, the most active entities in this area included Bank BelVEB (that provided internships for 213 students of higher education institutions and 19 students of vocational schools) and Sviaz-Bank (that provided internships for 180 university students of higher education institutions). Internships and traineeships for young professionals were also arranged by RDIF, NCDC, Prominvestbank and VEB-Innovations Fund.

Awareness efforts applied by the Group’s entities are an important area of activities with the young. These initiatives are also implemented in cooperation with relevant major higher education institutions. They include regular theme-focused lectures by VEB-Innovations Fund held in the Banking Institute of the Higher School of Economics, and a lecture and a master class in 2013 on Success Drivers: How to Build a Business held by NCDC at Mashuk-2013 North Caucasian Youth Forum. SME Bank is equally active in dealing with the young in the scope of its participation in educational events for students and the faculty of higher education institutions and vocational schools across Russian regions. In 2013, SME Bank, jointly with the Financial University under the Government of the Russian Federation, organised a Moscow-based applied research conference on Support to the Development of Small and Medium-Sized Enterprises: International Experience and Russian Practices.

SME Bank and VEB-Innovations Fund, jointly with Vnesheconombank, are permanent participants of the All-Russia Seliger Youth Forum. For instance, in 2013, VEB-Innovations Fund supported the organisation of an expert session that was held during the forum and was attended by more than 100 young people from across various Russian regions. SME Bank organised a From Ideas to Success master class attended by 46 participants. VEB-Innovations Fund and SME Bank also co-organised Vnesheconombank’s competition for the best innovation project for young entrepreneurs that was held as part of the forum.
3.6. Development Award

The Development Award is an award of federal importance that is given by Vnesheconombank for outstanding achievements in the implementation of nationally significant investment programmes and projects. Although 2013 was the 1st year when the award was given, this event sparked a strong public reaction. The awards ceremony was held at the 17th Saint Petersburg International Economic Forum in the presence of the country’s leaders. During the forum, the Development Award was informally named “Investment Oscar”.

As part of organising the Development Award competition, Vnesheconombank developed, and its Supervisory Board approved, the legal and regulatory framework for the competition, formed the award committee that comprised renowned experts, and created a standing working group that addressed organisational issues and ran the competition itself.

The winners of the 1st Development Award were selected by the award committee. In evaluating projects and selecting nominees and awardees, the committee examined whether the investment projects were innovative and were focused on exports or import substitution, and what their socio-economic and environmental implications were.

The winners of Development Award 2013 were approved by the Supervisory Board of Vnesheconombank. The awards ceremony of the first Development Award competition took place at the 17th Saint Petersburg International Economic Forum held in June 2013. The awards were handed out to the winners by Sergei Ivanov, Chief of Staff of the Presidential Executive Office, and Vladimir Dmitriev, Vnesheconombank’s Chairman.

The 1st Development Award proved a milestone event that witnessed positive trends in the investment climate in Russia. The competition’s outcome also shows that the country is implementing numerous projects that may serve as examples of a weighted and successful policy effectively combining private capital and various forms of government support.

In 2013, the Development Award received more than 220 applications.

The award committee included 28 experts.

The award was given in 4 categories.

In 2012, to encourage investment activities and build a robust and attractive investment climate in Russia, Vnesheconombank established the Development Award, a national annual competition. The award is given for outstanding achievements in implementing nationally important investment programmes and projects. The competition’s strategic goal consists in achieving the social and economic targets and objectives related to the modernisation of the Russian economy and social and economic development of Russia.
"A large number of applications for the Award reflect the positive trends in the economic development. It was very hard to select the four best, the most efficient and important projects for the region’s investment portfolio. The projects that made it to the finals in 2013 are an example of a successful investment policy."

Vladimir Dmitriev,
Chairman of Vnesheconombank

Development Award 2013 Winners
Investing in the Community
Responsibility and well-measured approach

The scale and scope of our projects suggests the need for a well-measured attitude to identifying solutions. Our responsibility extends not only to our professional knowledge and expertise, but also to all the potential outcomes of our decisions for the country, society and the environment.
4.1. Investment of Pension Savings

For more than 10 years, Vnesheconombank has been operating as a State Trust Management Company (STMC) to provide trust management of pensions savings of insured Russian citizens who have not exercised their right of choosing a non-government pension fund (NPF) or a managing company (MC), and citizens who have opted for the STMC. In 2013, the Russian Government extended Vnesheconombank’s functions for trust management of pension savings and the payout reserve for another 5 years until 1 January 2019.

As of late 2013, the amount of pension savings under trust management by the STMC stood at RUB 1,865,035 mn.

The amount of payout reserve under trust management by the State Payout Reserve Management Company is RUB 1,493 mn.

In investing pension savings, Vnesheconombank focuses on maintaining and increasing the assets under its management. In 2013, we also concentrated on financing nationally important investment projects out of pension savings by acquiring bonds issued by infrastructure majors.

As the State Trust Management Company, Vnesheconombank is responsible for building up the investment portfolio of government securities (GSIP) and the extended investment portfolio (EIP). Since December 2012, Vnesheconombank, as the STMC, has also been managing the payout reserve investment portfolio (PRIP) and the fixed-term pension payout investment portfolio for pension savings of insured citizens who are entitled to fixed-term pension benefits (FTIP).

Pension savings growth dynamics (RUB mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pension savings under STMC’s management</th>
<th>Total pension savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,865,035</td>
<td>2,990,961</td>
</tr>
<tr>
<td>2012</td>
<td>1,643,313</td>
<td>2,346,518</td>
</tr>
<tr>
<td>2011</td>
<td>1,333,712</td>
<td>1,756,316</td>
</tr>
</tbody>
</table>
Return on invested pension savings

Over the full year 2013, the return on invested pension savings in the EIP, GSIP, PRIP and FTIP stood at 6.71% p.a., 6.90% p.a., 5.52% p.a. and 5.51% p.a., respectively. In 2013, the inflation rate in Russia was 6.5%.

The return on the EIP and GSIP proved to be lower than in 2012 (9.21% and 8.47%, respectively), which was due to the negative revaluation of OFZ. In general, the return on invested pension savings in the EIP and GSIP over the previous 3 years was above the average inflation rate.

Return on invested pension savings

Investment tools

The return on invested pension savings rose in 2013 primarily due to the EIP which was diversified by increasing the share of higher yield non-government bonds (as compared to government securities), and by investing pension savings in deposits with commercial banks.

In 2013, the Russian Government expanded the opportunities for investing pension savings in bonds that meet the reliability criteria (secured with a sovereign guarantee or offered by an issuer with at least a sovereign rating). The Government cancelled the restrictions capping the share of such bonds in the EIP and in the total amount of outstanding bonds offered by relevant issuers (for other corporate bonds, these shares rose from 30% to 60% per issue in the EIP and from 20% to 40% for the total amount of outstanding bonds offered by relevant issuers).
In 2013, in line with instructions by the Russian Government and decisions by Vnesheconombank’s Supervisory Board, Vnesheconombank invested RUB 280 bn from the EIP in bonds issued by companies that implement infrastructure projects. All decisions made in 2013 to finance infrastructure projects implemented by Russian Railways, FGC UES, and Gazprom, drawing on pension savings have been fully carried out within the agreed timelines.

As of late 2013, more than RUB 371 bn in total were invested in bonds of infrastructure companies in STMC’s investment portfolio, at market value net of ACI.

In 2013, the GSIP breakdown did not undergo any material changes. Government securities had an important share in the portfolio, which, as of late 2013, grew from 57% to 60% as compared to the previous year.

In 2013, the EIP and FTIP assets were primarily invested in highly liquid OFZ and corporate bonds of “blue chips.”
Investment in the Affordable Housing Construction and Mortgage Programme

As of late 2013, the gross amount of mortgage loans issued under the Programme (given accelerated loan repayment) exceeded RUB 300 bn.

The living premises to be acquired (under construction) or already acquired measured at least 4 mn square metres overall.

In 2013, Vnesheconombank continued implementing its Programme of investment in projects for construction of affordable housing and mortgage loans in 2010-2013. The Programme is intended to drive up mortgage loans and make the housing more affordable for the wider Russian population by cutting mortgage loan annual interest rates down to 11%.

Overall, RUB 250 bn were allocated to achieve the Programme's objectives, including RUB 100 bn of pension savings from the EIP to acquire mortgage bonds, RUB 50 bn of Vnesheconombank's equity to acquire mortgage-backed bonds, RUB 60 bn of pension savings from the EIP to acquire bonds issued by OJSC AHML backed with a sovereign guarantee of the Russian Federation, and RUB 40 bn provided by the Russian National Wealth Fund to fund the loan facility for OJSC AHML.

Since the Programme's participants were quite reasonably unable to fully meet their loan securitisation obligations within the agreed timelines, Vnesheconombank's Supervisory Board extended the period for buying out mortgage-backed bonds under the Programme until 31 December 2014. At the initiative of the Programme's participants, Vnesheconombank reduced its total acquisition of mortgage-backed bonds from RUB 150 bn to RUB 108.1 bn.

In 2013, as part of the Programme, Vnesheconombank acquired mortgage-backed bonds for RUB 42.34 bn, including RUB 28.23 bn out of pension savings, and RUB 14.11 bn out of Vnesheconombank's equity. The remaining bonds are planned to be acquired in 2014.

VEB Capital operates as Vnesheconombank's agent for the Programme's implementation. Among other things, it is charged with placing mortgage-bond issues of lending institutions and OJSC AHML that participate in the Programme in line with the parameters set out in the Programme. VEB Capital also follows up the banks' compliance with mandatory terms of participation in the Programme.

Since the adoption of the Programme in early 2010, the average-weighted interest rates for rouble mortgage loans in Russia have declined from 13.70% p.a. to 12.40% p.a. in the primary and secondary markets as of the end of 2013. Moreover, during the active phase of mortgage lending by banks participating in the Programme in early 2012, the rates were as low as 11.80% p.a. These results were due to the implementation of the Programme.
4.2. Charity

Charity is an integral part of Vnesheconombank’s and the Group’s operations. By supporting socially important institutions – educational and healthcare organisations, museums and theatres, Orthodox churches, nature reserves, and sports teams – the Group’s entities directly contribute to addressing the most pressing social challenges, ensuring a better life quality and building moral values.

In 2013, as in all previous years, Vnesheconombank Group’s charity focused on support for science, education, arts and culture. A considerable amount of financial support was also allocated to healthcare and social security initiatives, including aid to children. Equally important was the Group’s charity support to the Russian Orthodox Church, professional athletes and conservancy. In total, Vnesheconombank and the Group’s entities took part in more than 60 socially important projects throughout the year.

In 2013, Vnesheconombank Group spent a record high amount on charity: over RUB 2 bn.

Charity priorities of Vnesheconombank Group in 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science, education, arts and culture</td>
<td>72</td>
</tr>
<tr>
<td>Support to the Russian Orthodox Church</td>
<td>11</td>
</tr>
<tr>
<td>Healthcare and social support</td>
<td>9</td>
</tr>
<tr>
<td>Professional sports</td>
<td>6</td>
</tr>
<tr>
<td>Environmental, conservancy and other projects</td>
<td>1</td>
</tr>
<tr>
<td>Aid to children</td>
<td>1</td>
</tr>
</tbody>
</table>

Charity allocations by Vnesheconombank Group (RUB mn)

- **2013**: 2,052
- **2012**: 1,284
- **2011**: 927
Support for the Leninsk Central District Hospital in the Jewish Autonomous Region

In 2013, Vnesheconombank transferred all amounts planned to be spent for corporate New Year holiday events and for gifts to customers and partners to the Leninsk Central District Hospital in the Jewish Autonomous Region that provided first medical and specialised aid to victims of an extraordinary flood that occurred in the Far East.

Vnesheconombank’s charity projects

Our charity programme is prepared at the year-end of each year and is subject to approval by Vnesheconombank’s Supervisory Board. Most charity projects of the Bank are implemented on a long-term basis for 10 and more years. Every year new socially important organisations become Vnesheconombank’s beneficiaries.

For many years, Vnesheconombank has been supporting a number of specialised healthcare institutions such as the Research Institute of Children’s Oncology and Haematology at Blokhin Cancer Research Centre, Moscow Regional Psychoneurological Hospital for Children with CNS Diseases, the First Hospice for Children with Oncologic Diseases, etc. The Bank’s beneficiaries also include organisations that support socially vulnerable groups: orphans and children without parental care, World War II veterans, families of servicemen who died in conflict zones, and disabled persons.

In 2013, Vnesheconombank transferred all amounts planned to be spent for corporate New Year holiday events and for gifts to customers and partners to the Leninsk Central District Hospital in the Jewish Autonomous Region that provided first medical and specialised aid to victims of an extraordinary flood that occurred in the Far East.

For many years, within the framework of cooperation with major Russian research, education, culture and arts institutions, Vnesheconombank has been supporting Moscow’s Pyotr Fomenko Studio theatre, the Academy of Young Opera Singers of Saint Petersburg’s Mariinsky Theatre, The Pushkin State Museum of Fine Arts, the Moscow Kremlin’s museums, and the Polytechnic Museum. We also pay scholarships to the most gifted students of MGIMO University, Moscow State University, the Financial University and the Higher School of Economics.
The Mariinsky Theatre

The history of the Mariinsky Theatre dates back to 1783 when the opening ceremony of the Bolshoi Kamenny Theatre was held at the Carousel Square in Saint Petersburg. The theatre got its current name in 1859 after the reigning Empress Maria Aleksandrovna, the wife of Alexander II. Over more than two centuries, the theatre gave the world many great artists and strengthened the traditions of the Russian musical scene. In 2013, the Mariinsky Theatre celebrated its 230th anniversary.

Vnesheconombank has been supporting the Mariinsky Theatre Academy of Young Opera Singers since its very inception in 1998. Over the period, the Academy brought up many generations of young talents from across Russia, CIS countries, Western Europe and America. The Academy’s lead singers take part in operas staged by the Mariinsky Theatre, in numerous music festivals in Russia and other countries, and have repeatedly become winners or runners-up of many prestigious international competitions.

Vnesheconombank attaches special importance to its support to the Russian Orthodox Church aimed at preserving the historical and cultural heritage, reviving moral values and sharing them with the younger generations. In 2013, Vnesheconombank supported the construction of more than 10 temples, churches and monasteries in Russia and the orthodox Saint George Monastery in the town of Getschendorf (Germany). The Bank also continued its involvement in the project for construction of the Centre for Spiritual Development of Children and Youth at the Moscow Danilov Monastery.

Support to professional athletes is a top priority for Vnesheconombank’s charitable activities. In 2013, the Bank supported the country’s sports federations and national volleyball, bicycle and rugby teams and took part in the preparation for the World Football Cup 2018.

Since 2010, Vnesheconombank has launched a new charity initiative supporting conservancy projects that seek to preserve the biodiversity. The Bank’s permanent beneficiaries in this area already include the Belovezhskaya Pushcha and Pripyatsky national parks, and the Eurasian Centre of Saving Far Eastern Leopards.
Charity projects of Vnesheconombank Group’s entities

From year to year, Vnesheconombank Group’s entities become more and more involved in charitable activities. Apart from subsidiary banks that have been implementing charity initiatives for many years, other entities of the Group have also been actively joining these efforts in recent years. They primarily include VEB-Leasing that has been initiating charity projects for the last 2 years. Additionally, NCDC and EXIAR launched their first charity initiatives in 2013.

In 2013, the contribution by GLOBEXBANK, Prominvestbank and Bank BelVEB accounted for the bulk of total charity financing in 2013. The most important initiatives supported by the Group’s entities included:

- support by GLOBEXBANK to the participation by Russian athletes in the World Armwrestling Championships among wheelchair athletes that was held in Gdynia (Poland), and the grant of RUB 750 thousand allocated to translate and publish in the UK a runner-up novel of the Russian Booker award patronaged by GLOBEXBANK since 2012;

- support by Eximbank of Russia to the All-Russian Sports Event for Bachelors of Science "Magic of the Master Degree: Combine Science and Practice!" run by the Financial University under the Government of the Russian Federation, the "Young Russian Culture in Italy" festival and a number of projects organised by the International Chekhov Charity Foundation;

- support by SME Bank to an expedition to search for and bury the remnants of soldiers who died during World War II. The expedition was organised as part of International Watch of Memory 2013 in the Demyansky District of the Novgorod Region, and financial aid allocated to restore the Central District Hospital in the village of Leninskoye that was substantially destroyed during a flood in the Russian Far East;

- support by Prominvestbank to the Khokhlov Charity Fund “Theatre Initiative” and the 8th International Tennis Tournament “Bolshaya Beskozyrka”; and

- support by Bank BelVEB to the representation of the National Olympic Committee of the Republic of Belarus and the Republican Rural Fair Festival “Dazhynki 2013” in the town of Zhlobin.
The international music festival WOMAD

The international music festival WOMAD is one of the most outstanding and popular music events. Over its 30-year history, the festival was held 160 times in 27 world countries and gathered over a million visitors.

In 2013, for the first time in its history, WOMAD took place in Russia, on the mountain of Mashuk in Pyatigorsk. The festival was organised by the Foundation for Social Projects “Visit Caucasus” with the support by NCDC. Over 2 days, the 3 festival stages hosted more than 30 music and dance groups from across the world. Over 12 thousand people visited the festival.

The festival’s programme also included master classes in the Village of Trades, classes on drawing, sculpting and applied arts for children of all ages.

The charity foundation "Illustrated Books for Little Blind Children"

The charity foundation "Illustrated Books for Little Blind Children" has been operating since 1994 within the framework of the UN's and UNESCO's International Decade for the Rapprochement of Cultures. This is Russia’s only charity fund that publishes and distributes unique tactile books for visually impaired children for free.

The Foundation has published more than 110 special tactile illustrated books (TiB) that enable visually impaired children to join the common system of cultural values and enhance their ability to integrate into social life. As part of the Foundation’s programme Books as a Gift, new series of books are given to more than 10 thousand visually impaired children every year via special charity subscription. The Foundation was able to implement the programme thanks to gratuitous aid by hundreds of benefactors that were joined by EXIAR in 2013.
4.3. Participation in the UN Global Compact and Promotion of Sustainability Principles

Vnesheconombank views its engagement in the UN Global Compact network as a unique strategic opportunity to promote sustainability principles across the Russian business community. In this way, we express our active stance on building a global partnership between the public and corporate sectors to address emerging global challenges.

In 2013, the UN Global Compact Network Russia celebrated its 5th anniversary.

The network comprises over 70 organisations, including Russian business majors.

Vnesheconombank joined the United Nations Global Compact (UNGC) in December 2011 to confirm its commitment to the 10 principles of the UNGC and its intention to contribute to a stable and open global economy.

Since its joining the network, Vnesheconombank has been consistently expanding its operations within the initiative both domestically and internationally. In 2013, Vnesheconombank took over the leadership in the UN Global Compact Network Russia and set itself ambitious targets to boost the network’s activities, increase its membership and intensify relations with public authorities.
Key events of the UNGC Network Russia involving Vnesheconombank

In April 2013, on Vnesheconombank’s initiative, members of the UNGC Network Russia took part in the International Interbank Conference "Human Capital".

Vnesheconombank has been organising the annual International Interbank Conference “Human Capital” since 2006. The Conference has already acquired the status of a leading venue in Russia for HR leaders to share their professional experience and innovative ideas and establish new business contacts.

In 2013, the Conference was attended by more than 120 representatives of personnel management services from leading Moscow and regional banks, offices of foreign banks, and Russian and international consulting companies. The participants discussed the emerging issues of personnel management and opportunities for spreading the best employment relations practices across the business community.

On 5 June 2013, Alexander Ivanov, Deputy Chairman of Vnesheconombank and Member of the Management Board, was elected Chairman of the Steering Committee of the UN Global Compact Network Russia.

In his comments on the election, Alexander Ivanov noted: “A core objective of the Network for the nearest future will consist in the institutional development and transition to a fundamentally new level by actively promoting the principles of the UNGC in the business community, engaging regional participants in the network’s activities, and maintaining close relations with public authorities.”

On 19 and 20 September 2013, New York hosted the 4th UN Global Compact Leaders Summit that was attended by Alexander Ivanov, Chairman of the Steering Committee of the UNGC Network Russia.

The UN Global Compact Leaders Summit is one of the top events of the United Nations that takes place every 3 years and is a unique venue to discuss the accumulated positive experience and to explore the opportunities for further integration of the UNGC principles into the business strategy and business practices. In 2013, the Summit was presided by the UN Secretary-General Ban Ki-moon. The Summit gathered leaders

In 2013, Moscow hosted for the first time the meeting of the Board of the UN Foundation, an organisation established in 1998 to unite the efforts of all nations in addressing the most important and consequential international issues. The discussions at the meeting were focused on the "Sustainable Energy for All" initiative by the UN Secretary-General that aims to ensure universal access to electricity, double the share of renewable energy sources in the global energy balance and the global energy efficiency growth rates.

The position of the Russian business community was presented at the session by Alexander Ivanov, Chairman of the UN Global Compact Network Russia. In his speech, Mr. Ivanov told about the activities of the UN Global Compact Network Russia, its priorities in development and interaction with public authorities to promote sustainability principles in the Russian business community.

In July 2013, Alexander Ivanov, Chairman of the Steering Committee of the UN Global Compact Network Russia took part in the session of the UN Foundation “Sustainable Energy for All”.

In 2013, Moscow hosted for the first time the meeting of the Board of the UN Foundation, an organisation established in 1998 to unite the efforts of all nations in addressing the most important and consequential international issues. The discussions at the meeting were focused on the "Sustainable Energy for All" initiative by the UN Secretary-General that aims to ensure universal access to electricity, double the share of renewable energy sources in the global energy balance and the global energy efficiency growth rates.

The position of the Russian business community was presented at the session by Alexander Ivanov, Chairman of the UN Global Compact Network Russia. In his speech, Mr. Ivanov told about the activities of the UN Global Compact Network Russia, its priorities in development and interaction with public authorities to promote sustainability principles in the Russian business community.

On 19 and 20 September 2013, New York hosted the 4th UN Global Compact Leaders Summit that was attended by Alexander Ivanov, Chairman of the Steering Committee of the UNGC Network Russia.

The UN Global Compact Leaders Summit is one of the top events of the United Nations that takes place every 3 years and is a unique venue to discuss the accumulated positive experience and to explore the opportunities for further integration of the UNGC principles into the business strategy and business practices. In 2013, the Summit was presided by the UN Secretary-General Ban Ki-moon. The Summit gathered leaders
of major companies, civil society organisations, governments and UN agencies.

The Summit’s participants discussed how to build a new sustainability concept for the period after 2015 whose global priorities would be to prevent climate changes, provide all social groups with access to water and food, observe human rights, combat discrimination, and promote decent work and education. The Summit specifically focused on corporate social responsibility initiatives by the business community that have a material impact on achieving the sustainability goals.

The Summit included a special event on “State-Owned Enterprises as Vehicles for Corporate Responsibility and Sustainability” that discussed issues related to government policies on corporate social responsibility and mechanisms that encourage the business community to expand their efforts in this area.

“Russia’s Hour. Investments of Russian Business in Sustainable Development” press conference was held in New York in the run-up to the 4th UN Global Compact Leaders Summit, which was attended by the delegation of the UNGC Network Russia.

The “Russia’s Hour. Investments of Russian Business in Sustainable Development” press conference was organised on the initiative of Vnesheconombank as leader of the UNGC Network Russia. This event was primarily focused on providing international media and business communities with reliable information on achievements of the UNGC Network Russia members in the corporate social responsibility and sustainability areas. The press conference also discussed such issues as achieving a stronger international position for Russian business and promoting relations between public authorities and the business community, including within the UN Global Compact.

The Russian delegation was led by Alexander Ivanov, Chairman of the UNGC Network Russia’s Steering Committee. The press conference was also attended by representatives of member organisations of the UNGC Network Russia, Vitaly Churkin, Permanent Representative of the Russian Federation to the United Nations and Ambassador Extraordinary and Plenipotentiary, Thomas Gas, Assistant Secretary-General of the United Nations, Georg Kell, Executive Director of the UN Global Compact, Sergei Kryukov, Chairman of SME Bank’s Management Board, representatives of the Russian Ministry of Economic Development, and other officials.

“As a development institution that implements the state investment policy, Vnesheconombank is gradually becoming a leader and driver of corporate social responsibility practices in Russia. We are already actively implementing responsible financing principles in line with the best international practices. These efforts are reflected in stricter requirements to environmental and social components of investment projects that we support.”

Alexander Ivanov, Deputy Chairman of Vnesheconombank – Member of the Management Board
On 17 December 2013, the UNGC Network Russia held a meeting of its members in Moscow where the participants discussed their performance in 2013 and the priorities for 2014.

At the annual meeting of the UNGC Network Russia, the participants discussed Vnesheconombank’s initiatives on the network’s institutional development, including on determining its legal status, setting up the mechanisms to finance its operations, ensuring more transparency, intensifying relations with regional authorities, businesses and not-for-profit organisations.

The meeting’s participants approved the network’s performance report for 2013 and its key development areas for the next year:

/ maintaining the leadership in such areas as human rights, labour relations, environment and anti-corruption;
/ the network’s institutional development;
/ providing information support, promoting the results of work by the network members and sustainability initiatives.

In connection with the 5th anniversary of the UNGC Network Russia, the general meeting included an awards ceremony for the most active members of the network in such categories as “For Input in the Development of the UN Global Compact Network Russia”, “For Promoting the Principles of the UN Global Compact in Russia and Internationally”, “For Leadership and Active Involvement in Events of the UN Global Compact Network Russia”. The meeting issued letters of acknowledgement to Rosneft, Sakhalin Energy, Transaero, Vodokanal Sankt-Peterburga, and to the Russian Union of Industrialists and Entrepreneurs, International Foundation BATANI, the UNDP’s Project Support Office in the Russian Federation, and the UN Information Centre in the Russian Federation.

“Vnesheconombank sees its mission in promoting the ideas and principles of the UN Global Compact across the national business community. Our task is to promote a stronger environmental and social responsibility of Russian businesses and contribute to a greener economy.”

Alexander Ivanov,
Deputy Chairman of Vnesheconombank –
Member of the Management Board
On 10 and 11 December 2013, Vnesheconombank held its 4th International Business Conference “Investment in Sustainability. Unlocking an Innovative Business Potential”. This was already the 4th event of a similar level out of a series of conferences under an umbrella name of "Investment in Sustainability" that are organised by Vnesheconombank on an annual basis.

In 2013, the conference focused on a stronger role and efficiency of the business community in achieving sustainability objectives in Russia in line with global trends and approaches. The participants discussed the global issues on forming new development goals developed by the United Nations instead of the Millennium Development Goals, and Russia’s role in general and the Russian business community in particular in global sustainability processes.

Specific attention was paid to the issue of a green economy and green finance, the practices of non-financial reporting and stakeholder relations, and market mechanisms to enhance the social responsibility of the business community.

The conference was attended by more than 300 leaders of public authorities, representatives of the business community and renowned experts.

The conference was supported by the Russian Ministry of Foreign Affairs, Russian Union of Industrialists and Entrepreneurs, International Financial Corporation (IFC), Ernst & Young, United Nations Environment Programme Finance Initiative, UNCG Network Russia, Russian Chamber of Commerce and Industry, Social Information Agency and “Sustainable Business” magazine.
Professionalism and continuous development

We set the highest standards of professionalism, business reputation and competency required of all our employees. We are known for upholding high professional standards in all we do and a continuous quest for new solutions, developing new products, good practices and efficient business processes. Committed to sharing the Bank’s values, every employee is focused on personal development. That enables us to continuously respond to the challenges of the times, set the trends and discover new horizons.
5.1. Corporate Governance System

The corporate governance system in Vnesheconombank Group is guided by the best corporate governance practices applied by leading Russian and international financial institutions and development banks. Vnesheconombank has been consistent in its efforts to introduce uniform standards and corporate procedures across Vnesheconombank Group while contributing to the development of the Group’s organisations in line with the strategic goals applied within the Group.

Governance structure of Vnesheconombank

In line with Federal Law No. 82-FZ “On Bank for Development” dated 17 May 2007, Vnesheconombank’s governing bodies include the Supervisory Board of Vnesheconombank, the Management Board of Vnesheconombank and the Chairman of Vnesheconombank.

Meetings of Vnesheconombank’s Supervisory Board are convened by the Chairman of Vnesheconombank’s Supervisory Board or by a member of the Supervisory Board designated by the Chairman of Vnesheconombank’s Supervisory Board as may be necessary, but no more than once per quarter.

In 2013, 22 meetings of Vnesheconombank’s Supervisory Board and 208 meetings of the Management Board were held.
### MEMBERS OF VNESHECONOMBANK’S SUPERVISORY BOARD
as of 31 December 2013

**DMITRY MEDVEDEV**  
Chairman of the Supervisory Board, Chairman of the Government of the Russian Federation

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANDREI BELOUSOV</td>
<td>Member of the Supervisory Board, Assistant to the President of the Russian Federation</td>
</tr>
<tr>
<td>ARKADY DVORKOVICH</td>
<td>Member of the Supervisory Board, Deputy Chairman of the Government of the Russian Federation</td>
</tr>
<tr>
<td>VLADIMIR DMITRIEV</td>
<td>Member of the Supervisory Board, Chairman of Vnesheconombank</td>
</tr>
<tr>
<td>ANTON SILUANOV</td>
<td>Member of the Supervisory Board, Minister of Finance of the Russian Federation</td>
</tr>
<tr>
<td>DMITRY KOZAK</td>
<td>Member of the Supervisory Board, Deputy Chairman of the Government of the Russian Federation</td>
</tr>
<tr>
<td>ALEKSEY ULYUKAYEV</td>
<td>Member of the Supervisory Board, Minister of Economic Development of the Russian Federation</td>
</tr>
<tr>
<td>ALEKSANDR KHLOPONIN</td>
<td>Member of the Supervisory Board, Deputy Chairman of the Government of the Russian Federation, Presidential Plenipotentiary Envoy to the North Caucasian Federal District</td>
</tr>
<tr>
<td>IGOR SHUVALOV</td>
<td>Member of the Supervisory Board, First Deputy Chairman of the Government of the Russian Federation</td>
</tr>
</tbody>
</table>

### MEMBERS OF VNESHECONOMBANK’S MANAGEMENT BOARD
as of 31 December 2013

**VLADIMIR DMITRIEV**  
Chairman of Vnesheconombank

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIKHAIL POLUBOYARINOV</td>
<td>First Deputy Chairman of Vnesheconombank, Member of the Management Board</td>
</tr>
<tr>
<td>ANDREI SAPELIN</td>
<td>First Deputy Chairman of Vnesheconombank, Member of the Management Board</td>
</tr>
<tr>
<td>SERGEI VASILIEV</td>
<td>Deputy Chairman of Vnesheconombank, Member of the Management Board</td>
</tr>
<tr>
<td>ALEXANDR IVANOV</td>
<td>Deputy Chairman of Vnesheconombank, Member of the Management Board</td>
</tr>
<tr>
<td>SERGEI LYKOV</td>
<td>Deputy Chairman of Vnesheconombank, Member of the Management Board</td>
</tr>
<tr>
<td>VLADIMIR SHAPRINSKY</td>
<td>Chief Accountant of Vnesheconombank, Member of the Management Board</td>
</tr>
</tbody>
</table>
The powers of the Supervisory Board:

/ determine the key business areas of Vnesheconombank;

/ approve the regulations on governing bodies, branches and representative offices of Vnesheconombank and approve the Annual Report;

/ approve the financial plan of income/expenditure (budget) of Vnesheconombank;

/ approve the appointment of an auditor for the annual mandatory audit of the Bank's annual financial statements;

/ appoint the head of the Internal Control Service and dismiss him or her from office before expiry of the relevant term;

/ adopt decisions on issuing Vnesheconombank's bonds;

/ approve major transactions.

The Chairman of Vnesheconombank

The Chairman of Vnesheconombank provides day-to-day management of Vnesheconombank's operations and acts as the sole executive body of Vnesheconombank. The Chairman of Vnesheconombank is appointed to this office by the President of the Russian Federation as recommended by the Chairman of the Government of the Russian Federation.

Vnesheconombank’s Management Board

The Management Board acts as Vnesheconombank's collective executive body.

The Management Board comprises the Chairman of Vnesheconombank and 8 members of the Management Board appointed by the Supervisory Board as recommended by the Chairman of Vnesheconombank. The Management Board's activities are managed by the Chairman of Vnesheconombank.

Vnesheconombank’s Internal Control Service

Vnesheconombank's Internal Control Service (ICS) is a standalone structural unit of Vnesheconombank. The ICS' director is accountable to the Bank's Supervisory Board and directly reports on his or her day-to-day activities to Vnesheconombank's Chairman. Vnesheconombank ensures that the ICS operates on an ongoing, independent, unbiased and professional basis and that the ICS is able to efficiently perform its functions without any constraints.

ICS' purposes:

/ contribute to the efficient and successful financial and business performance of the Bank;

/ follow up the accounting and reporting for reliability, completeness, fairness and timeliness;
/ follow up compliance by all employees of the Bank with the requirements of legal and regulatory acts of the Russian Federation, other regulatory requirements, and corporate regulatory documents, including those related to its operations in the securities market;

/ on an ongoing basis, follow up (monitor) the operation of the Bank's internal control system, including as a professional player in the securities market;

/ follow up operations of standalone structural units for efficient risk management and prevention of conflicts of interests between the Bank's units and/or employees;

/ follow up the implementation of anti money laundering measures.

Vneshekonombank's collegial working bodies

Vneshekonombank's collective working bodies (committees) operate on a permanent basis. The key committees include the Committee for Development of Investment Operations, Credit Committee, Asset and Liability Management Committee, and Budget Committee. They prepare recommendations with regard to decisions on the Bank's core business areas to be adopted by Vneshekonombank's governing bodies.

The Expert Council

The Expert Council acts as a deliberative and advisory agency of Vneshekonombank that provides an in-depth analysis of Vneshekonombank's key business areas and prepares proposals on decisions to be made by the Bank's governing bodies.

Appointments to the Expert Council are subject to approval by Vneshekonombank's Management Board. The candidates are selected among researchers, employees of research and educational institutions, and representatives of the business community. In 2013, the Expert Council held 3 meetings.
Size of remuneration, allowances and refundable expenses of governing bodies

In 2013, no remuneration, including salaries, bonuses, commission fees, allowances and/or refundable expenses, individual fees payable for involvement in the activities of a relevant governing body, or other types of remuneration were paid to Members of Vnesheconombank’s Supervisory board.

Remuneration paid to members of Vnesheconombank’s Management Board in 2013

<table>
<thead>
<tr>
<th>Types of remuneration</th>
<th>Amount (RUB thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>150,367.94</td>
</tr>
<tr>
<td>Bonuses(^5)</td>
<td>113,245.10</td>
</tr>
<tr>
<td>Financial aid</td>
<td>1,150.00</td>
</tr>
<tr>
<td>Commission fees</td>
<td>0</td>
</tr>
<tr>
<td>Allowances and/or refundable expenses</td>
<td>0</td>
</tr>
<tr>
<td>Standalone fees payable for involvement in the activities of a governing body</td>
<td>0</td>
</tr>
<tr>
<td>Other types of remuneration</td>
<td>0</td>
</tr>
</tbody>
</table>

\(^5\) The remuneration for 2012 performance was paid in June 2013
Development of the governance system in Vnesheconombank Group

The governance system in Vnesheconombank Group’s entities is based on the principles of independent decision making in conjunction with the centralised control by Vnesheconombank, representatives of which are included in the governing bodies of the Group’s entities to communicate the Bank’s position on strategic and day-to-day plans of its subsidiaries.

In its relations with subsidiaries, Vnesheconombank sets the following strategic goals:

/ build a robust governance system in subsidiary banks and entities aligned with the best corporate standards;

/ implement the development priorities of the group of subsidiary banks, including measures to enhance the bank’s performance in line with the existing development strategies;

/ provide legal support to corporate governance in subsidiaries and set unified requirements for Vnesheconombank and the Group’s entities.

In 2013, Vnesheconombank Group took a number of measures to improve its corporate governance system:

/ made the necessary changes to the regulations on collegial governing bodies of Vnesheconombank as part of improvements to the corporate regulatory framework;

/ developed and launched systems for preparation of materials for meetings of Vnesheconombank’s collegial governing bodies in soft copy, including the remote access;

/ took measures to improve and automate the system for following up the compliance with instructions given by Vnesheconombank’s collegial governing bodies;

/ held an away training workshop “Supporting Activities of Collegial Governing Bodies of Vnesheconombank and Its Subsidiaries” that was attended by more than 100 employees of Vnesheconombank’s structural units, subsidiary banks and entities, the Department of Economics and Finance of the Russian Government and the Russian Ministry of Economic Development;

/ in exchange of experience in corporate governance, organised a training workshop “Preparing Materials for Meetings of Collegial Governing Bodies” for representatives of Prominvestbank in Kiev, Ukraine;

/ representatives of Vnesheconombank participated in a number of international hands-on workshops and conferences on corporate governance organised by global development banks and professional corporate governance associations;

/ in order to maintain a high level of awareness of Vnesheconombank Group’s staff, issued an updated version of the information brochure “Regulatory Documents Governing the Activities of Vnesheconombank’s Collegial Governing Bodies”.

The governance system in Vnesheconombank Group’s entities is based on the principles of independent decision making in conjunction with the centralised control by Vnesheconombank, representatives of which are included in the governing bodies of the Group’s entities to communicate the Bank’s position on strategic and day-to-day plans of its subsidiaries.
In 2013, to further improve the governance system in the Group, Vnesheconombank focused on developing the strategic governance system in subsidiary banks. Vnesheconombank prepared a unified development strategy structure and format for subsidiary banks and individual recommendations on the contents of strategy sections depending on specific operations of each bank. This format was used to develop strategies for all subsidiary banks of the Group.

The performance of subsidiary banks was assessed using a system of key performance indicators (KPI) that consist of corporate and individual KPI of members of the banks’ management boards associated with their areas of responsibility, thus increasing the motivation of subsidiary banks’ management in achieving the agreed goals.

In 2013, to enhance the efficiency of subsidiary banks’ management, the banks were connected to an automated management reporting system “Module for Collection, Verification and Analysis of Reports by Subsidiary and Related Banks”. The system improves the document exchange with

<table>
<thead>
<tr>
<th>Development strategy</th>
<th>Description</th>
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</table>
| Development strategy of Sviaz-Bank for 2013 – 2027 | Raise the banks’ capitalisation until they reach the break-even point, with subsequent phased sale and recovery of state and Vnesheconombank’s own rehabilitation funds until 2027:
  / achieve a market capitalisation of RUB 150 bn for Sviaz-Bank by 2027, with a target profitability rate of 15% by 2022;  
  / achieve a market capitalisation of RUB 99.6 bn for GLOBEXBANK by 2023, with a target profitability rate of 15.8% by 2023. |
| Development strategy of GLOBEXBANK for 2013 – 2023 | Increase financing for projects that promote Russia-Belarus and Russia-Ukraine integration relations and achieve the break-even point for Vnesheconombank’s investment in the banks’ capitals:
  / raise the share of Russia-Belarus integration projects to 30% of the total corporate financing by Bank BelVeb;  
  / raise the share of Russia-Ukraine integration projects to 30% of the total corporate financing by Prominvestbank. |
| Development strategy of Bank BelVEB for 2013 – 2015 | Boost the financing of non-trading SMEs, including innovative ones, and support the development of new SME financing markets. |
| Development strategy of Prominvestbank for 2013 – 2027 | Make Eximbank of Russia a full-scale export-import bank meeting the international competitiveness criteria of export credit agencies. |
subsidiary banks and allows promptly informing Vnesheconombank’s management of the banks’ performance.

In 2013, in developing its management system, Vnesheconombank Group focused, among other things, on expanding the relations between the Group’s entities to achieve synergy and enhance the Group’s performance. A Customer Marketing Division was set up within the Subsidiary Banks Department to align the credit and customer relations policies of subsidiary banks, prevent intra-group competition, and boost the volumes and profitability of subsidiary operations. Proposals on promoting products of subsidiary banks to Vnesheconombank’s entities and customers were also prepared to maximise income accumulation within the Group.

5.2. Risk Management in Vnesheconombank Group

*Risk management forms an integral part of decision making, strategic and day-to-day planning processes in Vnesheconombank Group. This is an integrated continuous process that involves all entities of the Group.*

In 2013, to promote common management standards across the Group, Vnesheconombank Group approved its Risk Management Policy.

The Risk Management Policy of Vnesheconombank Group approved in 2013 seeks to build a common consolidated risk management system at all management levels, including Vnesheconombank and the Group’s entities.

The need to develop the Policy was due to a considerable increase in the volume of subsidiary operations associated with financial risks. The common risk management principles will also help Vnesheconombank to streamline the use of its own funds.

The Policy takes into account the requirements and recommendations of the Bank of Russia, supervisory agencies of other countries in which the Group’s entities are based, the Basel Committee on Banking Supervision, international risk management standards COSO, GRC, ISO 31000, and the IFRS as far as disclosure and risk assessment are concerned.
In implementing the Policy, the Group will address the following tasks:

/ set up consolidated approaches to the risk assessment and assumption by Vnesheconombank and all entities of the Group; integrate local risk management systems into a single Group-wide risk management system;

/ address the objectives set out in Vnesheconombank’s Development Strategy while maintaining its financial stability and ability to meet its obligations as they fall due;

/ efficiently limit the risks assumed by Vnesheconombank and the Group’s entities to meet their obligations towards the Group’s lenders and customers as they fall due;

/ efficiently manage the Group’s capital to ensure its break-even operation subject to risks and the acceptable capital adequacy ratio;

/ obtain sufficient compensation for risks assumed on operations of Vnesheconombank and the Group’s entities;

/ comply with Basel II and Basel III guidelines;

/ ensure the transparency of the risk management system of Vnesheconombank and the Group’s entities.
**Vnesheconombank’s Supervisory Board**

Approves the operating procedure of the Internal Control Service, the regulation on the credit policy, the procedure of issuing guarantees, sureties and loans to lending institutions and other legal entities, the guidelines and procedure for calculating credit risk indicators and limits, the guidelines for calculating the Bank’s equity (capital), capital adequacy ratio, the loss provisioning procedure and regulations on the Bank’s governing bodies.

Approves transactions related to acquisition, actual or potential disposal of property by the Bank, the book value of which equals to, or exceeds, 10% of the Bank’s equity, and sets the limit amount allocated to manage free cash (liquidity) of the Bank.

Determines the parameters of the Bank’s investment and financial operations, sets the limits and restrictions for the Bank’s loan portfolio breakdown within its competences granted under the Memorandum on Financial Policies and Federal Law No. 82-FZ “On Bank for Development” dated 17 May 2007.

**Management Board of Vnesheconombank**

Approves transactions or groups of inter-related transactions related to acquisition, actual or potential disposal of property by the Bank, the book value of which falls within the range between 2% and 10% of the Bank’s equity.

Prepares, and submits to Vnesheconombank’s Supervisory Board for approval, proposals on the Bank’s key business lines, parameters of the Bank’s investment and financial operations, including those related to risk management issues.

**Internal Control Service of Vnesheconombank**

Monitors the operation of the risk management system on an ongoing basis in line with the corporate regulatory documents of the Bank and provides its findings and recommendations based on its inspections to the Bank’s management.

**Chairman of Vnesheconombank**

Issues orders and instructions with regard to the Bank’s risk management, approves regulations and technical banking procedures, and makes decisions on other issues related to risk management, except for the issues within the competence of the Supervisory Board and the Management Board of Vnesheconombank.

**Credit Committee of Vnesheconombank**

A permanent collective governing body of Vnesheconombank that focuses on preparing opinions based on its analysis of proposals to issue loans, guarantees, sureties and financing on a repayable basis, participate in authorised capitals and/or acquire bonds, set limits for counterparties and issuers, and on debt recovery and write-offs.
Asset/Liability Management Committee of Vnesheconombank

A permanent collective governing body of Vnesheconombank that focuses on preparing opinions and recommendations on asset and liability management, including issues related to the management of market and structural risks of the Bank and break-even operation of the Bank.

Group Risk Director

Provides Vnesheconombank's Management Board with consolidated reports on the risks of the Group and Vnesheconombank and information on the status of the Group's and Vnesheconombank's risk management system and any system development plans.

Risk management system development in Vnesheconombank Group

The Risk Management Policy of Vnesheconombank Group is implemented in line with the action plan approved in 2013. As part of this plan, the Group analysed the risk management policies of all organisations of the Group, updated Vnesheconombank's regulatory documents on risk management and approved new country and operating risk management documents.

In 2013, at Vnesheconombank's initiative, the Group also rolled out a software application “Module for Collection, Verification and Analysis of Reports by Subsidiary and Related Banks” which enabled the Group to unify information reported by its entities and expand the range of capabilities for management decision making.

Risk Management Department of Vnesheconombank

Develops the guidelines and procedure to assess risks of various types and proposals to limit the risk level. Follows up the implementation of existing risk limits and risk management decisions. Prepares reports by risk type and line of business of the Bank. Follows up the compliance with the risk management principles and policy. Assesses the risks associated with new products and structured transactions. The Department includes units that monitor the risk level by risk type and line of business of the Bank, and a unit that monitors the risks of subsidiary entities.

The Bank's risks are assessed using the methodologies approved by the relevant authorities of the Bank. Losses are assessed based on analysed and processed statistical data on risk factors that have an impact on losses and patterns (models) identified that determine the correlation between changes in risk factors and losses. The Bank also applies stress testing to model "worst-case scenarios" that would take place on occurrence of events with low statistical probability.

To assess and control the aggregate exposure to credit, market and operating risks, the Bank calculates its capital adequacy ratio in line with the methodology approved by the Bank's Supervisory Board and based on approaches set out in the Bank of Russia's regulatory acts. The limit capital adequacy ratio is set at 10%.
<table>
<thead>
<tr>
<th>Risks</th>
<th>Financial</th>
<th>Non-financial</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Credit risk:</strong></td>
<td>/ Counterparty risk / Project financing risk / Country and regional risks</td>
<td>1. Operating risk</td>
</tr>
<tr>
<td><strong>2. Market risk:</strong></td>
<td>/ Interest risk / Currency risk / Stock market risk</td>
<td>2. Legal risk</td>
</tr>
<tr>
<td><strong>3. Liquidity risk</strong></td>
<td></td>
<td>3. Compliance risk</td>
</tr>
<tr>
<td><strong>Risk management approaches:</strong></td>
<td>/ monitoring the level of external and internal risk factors; / limits; / hedging; / diversification; / provisioning; / securing assets exposed to credit risks with a pledge, a guarantee, a surety, etc.; / compliance with the requirements to collateral sufficiency; / providing the Bank with ongoing access to financial market resources, including maintaining business relations with major financial institutions and regulatory authorities; / avoiding transactions with an unacceptable or unassessable risk level; / situation modelling; / stress testing; / VAR methodology</td>
<td>4. Reputation risk (Social and environmental risks)</td>
</tr>
<tr>
<td><strong>Risk management approaches:</strong></td>
<td>/ a system of measures to ensure the Bank’s business continuity; / separating the powers and setting up levels of responsibility in making decisions and transactions; / the minimum scope of authority for employees; / follow-up; / clear regulation of all business processes; / external risk insurance; / monitoring the areas of potential conflicts of interests; / measures taken to rule out situations where the Bank and its employees are involved in unlawful activities; / using certificated automated information systems; / monitoring the operation of the internal control system; / standardised business processes; / laws monitoring; / ensuring that employees have the necessary professional qualification level; / follow-up of the compliance with Russian laws; / monitoring the business standing of affiliates, subsidiary and dependent companies, counterparties and partners; / follow-up of the reliability of information furnished to external users; / monitoring public information related to the operations of the Bank and its customers; / timely publication of press releases; / strategic planning</td>
<td>5. Strategic risk</td>
</tr>
</tbody>
</table>
5.3. Responsible Business Practices

Strict compliance with the requirements of Russian and international laws is at the heart of all Vnesheconombank’s operations. The compliance with anti-corruption legislation and principles of business conduct that protect the interests of the Bank’s customers and business partners form an integral part of its corporate culture. In 2013, the Bank was actively improving its corporate AML/CTF procedures and procedures for integration of new legislative requirements in this area into the Bank’s operations.

Anti-money laundering and combating the financing of terrorism

558 employees of Vnesheconombank took part in the training events under AML/CTF programmes in 2013, with 98 employees that underwent a focused training on operations in the securities market and 265 employees – an introductory/primary AML/CTF trainings.

As part of keeping criminal capitals outside the Russian economy and preventing potential terrorist attacks, Vnesheconombank operates a system of anti-money laundering and counter terrorist financing (AML/CTF) measures. The Bank’s AML/CTF system provides for mandatory procedures that identify customers, customer representatives, beneficiaries and beneficiary owners and a set of measures to timely identify in customers’ operations transactions and deals that are subject to mandatory control and unusual transactions. The system also provides for AML/CTF training of the Bank’s employees.

Vnesheconombank’s AML/CTF system operates in line with the requirements of Federal Law No. 115-FZ “On Anti-Money Laundering and Counter Terrorist Financing” dated 7 August 2001 and those set by relevant authorities and takes into account the recommendations of international financial institutions and practices of Western and leading Russian financial institutions. The system is based on the internal control rules for the purposes of AML/CTF, which include programmes containing procedures that are binding on all employees who implement (support) banking and other transactions and which enable Vnesheconombank to comply with the requirements.

In 2013, due to the changes made to Federal Law No. 115-FZ and relevant regulatory acts, Vnesheconombank entered changes into
its internal control rules for the purposes of AML/CTF that provide for identification of customers’ beneficiary owners, blocking of money or other property of customers included in the list of organisations and individuals known to be involved in extremist activities or terrorism, or in the event of a decision to block money or other property, monitoring of foreign trade transactions (deals) or other measures aimed to improve the AML/CTF system in Vnesheconombank.

Anti-corruption procedures

In 2013, Vnesheconombank placed a special emphasis on strengthening its efforts aimed to prevent corruption and other unlawful activities. To this end, Vnesheconombank created a special division within its structure that coordinates the Bank’s anti-corruption efforts and established a Committee on the Compliance with Requirements to Business Conduct by Employees of Vnesheconombank and Settlement of Conflicts of Interests.

In 2013, as part of its anti-corruption efforts, Vnesheconombank introduced a system of measures to collect and process information on income, expenses, property and financial obligations of persons applying for specific positions in Vnesheconombank, Vnesheconombank’s employees that occupy these positions, their spouses and underage children. This information is furnished by Vnesheconombank’s employees in hard copy and is then stored in fireproof metallic safe-boxes kept in special alarmed premises.

In 2013, Vnesheconombank approved the Procedure for Notification of the Employer on Attempts to Involve Vnesheconombank’s Employees in Corruption, and Registration and Verification of Such Notices. The Bank set up the Anti-Corruption section on its official web-site and launched communication channels for feedback on prevention of corruption, including e-mail (profkorr@veb.ru) and telephone. The Bank’s building displays posters reminding of the prohibition to accept gifts in relation with employees’ job duties and on the liability for bribe giving and taking. Special guidelines were developed for the Bank’s employees.

In 2013, 5 employees of the Bank underwent a special training course under supplementary vocational training programmes of the Russian Presidential Academy of National Economy and Public Administration (RANEPA) and the Institute of Legislation and Comparative Law under the Government of the Russian Federation. Additionally, the Bank held two specialised workshops entitled “Application of Criminal Liability Measures for Bribe Taking and Giving” and “Ensuring the Compliance by Employees with the Restrictions and Prohibitions, Requirements to the Prevention or Settlement of Conflicts of Interests, and with Their Job Duties”. These workshops were held as webinars for employees of Vnesheconombank’s representative offices in Russia and in other countries.
Procurement


In its procurement operations, Vnesheconombank is guided by the following principles:

- procurement transparency;
- equality, transparency, no discrimination and no unjustified competitive restrictions with respect to procurement participants;
- targeted and economically efficient disbursement of funds to acquire goods, works and services;
- cutback of Vnesheconombank's costs;
- no access restrictions on participation in procurement in the form of immeasurable requirements to procurement participants.

Each year Vnesheconombank publishes its procurement plan for the next calendar year and runs its procurement operations using procurement procedures via public sales (in the form of a bidding procedure or an auction), without public sales (in the form of competitive negotiations, request for quotations or competitive selection), or in the form of sole source procurement. Based on the results of procurement procedures, the supplier is selected by the procurement committee consisting of heads of Vnesheconombank's structural units.

Combating unlawful use of insider information and market manipulation


In 2013, due to the changes in legislation, Vnesheconombank updated its corporate regulatory documents governing the procedure of access to Vnesheconombank's insider information, the procedure for notification of persons about their inclusion in, or exclusion from, Vnesheconombank's List of Insiders, and the procedure for transferring Vnesheconombank's List of Insiders to exchanges and other regulatory documents. The Bank
concluded non-disclosure agreements with those members of collective working bodies of Vnesheconombank that were not employed by Vnesheconombank. These persons were included in Vnesheconombank’s List of Insiders. Additionally, the Bank organised a training course for the Bank’s employees on practical application of the law on combating unlawful use of insider information and market manipulation.

In 2013, the relevant authorities had no claims against Vnesheconombank regarding the combating of unlawful use of insider information and market manipulation.

Confidentiality of borrowers’ and partners’ information

Vnesheconombank undertakes to keep its borrowers’ and partners’ information confidential. The Bank operates a certificated information security system and has in place mechanisms to identify and investigate any unlawful use of such information.

In 2013, Vnesheconombank took additional measures to monitor access to confidential information by the Bank’s employees and organisational and technical measures to protect the information in Vnesheconombank’s automated information system and ensure information security in secured automated systems and premises in line with existing Russian and international standards. The Bank also ran an audit and obtained a certificate of conformity to the requirements of the Payment Card Industry Data Security Standard (PCI DSS) from International Payment Systems VISA and MASTER CARD, version 2.0.

Responsible business practices of Vnesheconombank Group’s entities

In 2013, over 5 thousand employees of Vnesheconombank Group’s entities were trained in anti-corruption policies and procedures, and under AML/CTF programmes.*

The procurement operations of Vnesheconombank Group’s entities, and their efforts on AML/CTF, prevention of unlawful use of insider information and market manipulation, and confidentiality of borrowers’ and partners’ information are implemented in strict compliance with the requirements of Russian laws. Bank BelVEB

* The share of employees of the VEB Group entities trained in anti-corruption policies and procedures, and under AML/CTF programmes in 2013 is shown in Appendix 2.
and Prominvestbank are guided by the relevant legislative requirements of their respective countries.

In 2013, to prevent corruption and other unlawful activities, Eximbank of Russia approved the Instruction "On Enactment of Anti-Corruption Procedures in Examining Requests to Provide Financial and/or Guarantee Support to Russian Exports Involving Sovereign Guarantees of the Russian Federation". SME Bank approved the Policy for Prevention, Identification and Settlement of Conflicts of Interests.

Some entities of the Group also analysed the operations of structural units for corruption-related risks:

/ Eximbank of Russia analysed 10 out of 13 units (76.9%);

/ Sviaz-Bank analysed 12 out of 85 units (14.1%).

In 2013, Vnesheconombank Group's entities were not involved in any litigations covered by the definition of Federal Law "On Anti-Corruption" and did not receive any human rights complaints.

GLOBEXBANK received complaints regarding the disclosure of customers' personal data. The bank investigated each of the 5 cases. To prevent similar incidents, the Bank audited the perimeter of information systems for security, ran PEN-testing of the corporate network's segments, and analysed the need to grant the Bank's employees the rights of access to corporate file resources.

The total amount of pecuniary fines imposed on Vnesheconombank Group's entities in 2013 for non-compliance with legal and regulatory requirements was RUB 9,221 mn. The largest fines included:

/ fines imposed on Prominvestbank for non-compliance with the requirements of tax laws (RUB 3,220.5 thousand) and for earlier termination of a lease agreement (RUB 1,404.2 thousand);

/ fines imposed on Sviaz-Bank as a result of claims by individuals for a total of RUB 1,019 thousand;

/ a fine of RUB 1,200 thousand imposed on VEB-Capital for non-compliance with the capital adequacy ratio set for the company as a professional player in the securities market.
Retail practices of subsidiary banks

Retail banking services are offered by the Group's universal commercial banks, GLOBEXBANK and Sviaz-Bank, and the Group's Belorussian and Ukrainian subsidiary banks, Bank BelVEB and Prominvestbank, respectively. The subsidiary banks are seeking to integrate customer-oriented practices into their retail operations, including by promoting remote service channels, enhancing the accessibility of office premises for mobility impaired people, and by offering their customers socially important banking products.
The key remote customer service channels used by the Group’s subsidiary retail banks include the Call Centre, internet banking, mobile banking, and the online consultant service. Additionally, Bank BelVEB provides its customers with an opportunity to obtain a loan online or via the Bank’s Call Centre, or by offering to send an employee to the customer to execute the loan documents.

The Military Mortgage Loans programme implemented by Sviaz-Bank is the most important initiative in terms of providing customers with socially important banking products. In 2013, the bank issued over 5 thousand loans for a total of RUB 10.64 bn as part of this programme. The share of these loans in the bank’s retail portfolio totalled 43.16%. Sviaz-Bank also provides its customers that receive length-of-service and age pensions with an opportunity to open a special pension deposit, 13th Pension, with an interest rate of up to 9.5% per annum.

GLOBEXBANK also implements the Military Mortgage Loans and Young Researchers loan programmes that are designed to provide affordable housing. In 2013, the bank extended over 500 loans under the programmes for a total of RUB 866.9 mn. The share of these loans in the bank’s retail portfolio totalled 15.86%.

Bank BelVEB developed a special banking product for its retirement age customers, the current settlement bank account Pensionniy (Pension), with an annual interest rate of 14% as compared to the interest rate of 0.5% p.a. for standard current settlement accounts. Additionally, the bank offers its pre-retirement age customers the Golden Time pension savings account, with an increased interest rate (34% for Byelorussian roubles, 8.7% for Russian roubles, and 7.2% for US dollars and Euro). As of the end of 2013, Bank BelVEB opened 253 Pensionniy accounts and signed 31 agreements under the Golden Time programme.

Prominvestbank offers a special lending programme focused on young students. In 2013, the bank issued 25 loans for education purposes totalling RUB 873.8 mn.

Offices of the Group's subsidiary banks equipped to facilitate access to the premises by mobility impaired persons

<table>
<thead>
<tr>
<th>Vnesheconombank Group entity</th>
<th>Number of equipped offices</th>
<th>Share of equipped offices in the total number of offices, %</th>
<th>Number of equipped offices</th>
<th>Share of equipped offices in the total number of offices, %</th>
<th>Number of equipped offices</th>
<th>Share of equipped offices in the total number of offices, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLOBEXBANK</td>
<td>15</td>
<td>50</td>
<td>22</td>
<td>54.5</td>
<td>28</td>
<td>60</td>
</tr>
<tr>
<td>Sviaz-Bank</td>
<td>23</td>
<td>11.4</td>
<td>21</td>
<td>12.3</td>
<td>40</td>
<td>25</td>
</tr>
<tr>
<td>Bank BelVEB</td>
<td>n/a</td>
<td>n/a</td>
<td>8</td>
<td>40</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>SME Bank</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>
5.4. Stakeholder Engagement

We view stakeholder engagement as a critical sustainability prerequisite and a key factor in building the corporate social responsibility system. While realising the extent to which the Bank impacts a broad range of stakeholders and its responsibility towards them, we focus on stakeholder expectations and seek to give them due regard when determining the priority areas in pursuing corporate social responsibility and relevant implementation mechanisms.

We have been consistently developing a system of relations with stakeholders to set up a favourable external and internal environment and achieve its strategic objectives. The key mechanisms used by Vnesheconombank to build its stakeholder engagement system include:

- identifying the key groups of stakeholders; analysing and ranking the groups by relevance for Vnesheconombank;
- formulating Vnesheconombank’s voluntary commitments towards its stakeholders;
- identifying the key forms of stakeholder engagement;
- organising and holding public dialogues (roundtables, conferences, public hearings, etc.) involving stakeholders to discuss Vnesheconombank’s voluntary commitments and engage the stakeholders in identifying the ways for Vnesheconombank to promote its corporate social responsibility;
- collecting and systemising information from stakeholders on their perception, expectations, comments and suggestions on sustainability initiatives that are planned by Vnesheconombank or are already underway;
- considering stakeholder opinions when formulating plans for Vnesheconombank’s sustainability activities;
- aligning the positions and interests of different groups of stakeholders.

When preparing Vnesheconombank Group Sustainability Report 2013, the Bank held the first debates on the draft Report involving internal stakeholders of the Bank.
The map of Vnesheconombank’s stakeholders is based on the questionnaires filled in by Vnesheconombank’s independent structural units within the framework of preparing Vnesheconombank Group Sustainability Report 2012.
Key instruments of Vnesheconombank’s stakeholder engagement

In its relations with stakeholders, Vnesheconombank recurs to various instruments that seek both to raise the public awareness about Vnesheconombank’s operations, and build a dialogue with specific groups of stakeholders.

Involvement in the activities of committees, commissions, and working groups set up by federal public authorities

The government fully uses Vnesheconombank’s expert capabilities in building its policies, including expert appraisal of draft laws and building sectoral and regional development strategies to the extent covering Vnesheconombank’s priorities.

Involvement in the activities of public authorities of constituent entities of the Russian Federation and local authorities

Employees of Vnesheconombank and its representative offices in the Russian Federation take part in the work of investment committees, investment boards and other deliberative agencies of regional authorities on a regular basis, thus helping to promptly coordinate joint support to the most important initiatives that require investments by Vnesheconombank and the Group’s entities. To intensify the relations and accelerate the decision making process, Vnesheconombank holds extended working meetings in the form of video conferences involving representatives of executive authorities of constituent entities of the Russian Federation and initiators of investment projects.

Domestic and international events initiated by and involving Vnesheconombank

Vnesheconombank initiates and participates in the organisation of international and domestic forums that meet to work out harmonised positions on further development of relations aligned with the objectives of the sustainable social and economic development of Russia.

Participation in international forums

Vnesheconombank’s management bodies regularly participate in highest-level international forums that discuss potential long-term relations between Russian and international public and financial institutions. The arrangements reached at such events underlie the agreements that seek to achieve Vnesheconombank’s strategic objectives and attract foreign investment to Russia.

Media relations

To inform a wider range of stakeholders on Vnesheconombank’s operations, the Bank’s press service consistently holds press conferences and briefings involving the Bank’s management and leading Russian and foreign mass media. The relations with regional media are maintained via Vnesheconombank’s representative offices in Russia. In 2013, Vnesheconombank’s activities were extensively covered in the Development Projects programme on Russia-24 TV channel.
Publication of annual and non-financial reports

The key financials of Vnesheconombank and the Group’s sustainability performance data are disclosed in annual and non-financial reports that are published on Vnesheconombank’s official web-site in Russian and in English.

Corporate web-site

The corporate web-site is a key tool used by the Bank to raise awareness of a wider stakeholder universe about the Bank’s operating highlights, and a source of information targeting the Bank’s potential borrowers, including investment application forms, guidelines on how to prepare business plans, financial models, etc.

Intranet portal

Vnesheconombank’s Intranet portal is the key channel used to inform its employees of the key events in the corporate life of the Bank and for feedback between employees and the management. The portal publishes the Bank’s news on a regular basis and runs employee surveys. In 2013, the portal launched a new feedback option (which can be used by employees to put their questions to the top management) and a FAQ section.

Call Centre\(^6\)

The Call Centre is a permanent feedback channel targeting a wide range of the Bank’s stakeholders. The analysis of calls serves to prepare an annual research report that is used to raise the quality of stakeholder engagement.

\(^6\) The phone number of Vnesheconombank’s Call Centre is (495) 721-18-63.
On 27 June 2014, Vnesheconombank held debates on the draft Vnesheconombank Group Sustainability Report 2013

The hearings involved 22 representatives of Vnesheconombank’s structural units, 11 representatives of Vnesheconombank Group’s entities, and representatives of auditors, advisors and independent expert organisations.

The participants were addressed by Sergey Noskov, Director of Vnesheconombank’s Administrative Directorate. In his welcome speech, he focused on potential improvements to Group’s non-financial reporting quality, including building of a system for stakeholder engagement in preparing non-financial reporting. The participants were also presented a report on key milestones and further plans to develop the non-financial reporting system of Vnesheconombank Group.

The discussion of the draft report covered the following highlights:

/ the need for more detailed disclosure in subsequent non-financial reports of Vnesheconombank Group on the impact of the Bank’s investment projects on the environmental component of sustainability, including the results of environmental stewardship and energy efficiency projects;

/ the potential publication of the report in different formats, including the short and interactive versions of the report and the need to reduce the report’s text content and enlarge the scope of infographics;

/ the need to more actively distribute the printed version of the non-financial report by Vnesheconombank’s structural units and the Group’s entities, including within the framework of official events and cooperation with partner organisations;

/ the opportunity to engage a wider stakeholder audience in the preparation of Vnesheconombank Group’s non-financial reports.

The results of the public hearings served to build a table of suggestions submitted by stakeholders and to analyse their potential inclusion in the current or next reporting cycles.

Stakeholder engagement in non-financial reporting

In 2013, Vnesheconombank developed a draft Stakeholder Engagement Policy aiming to further develop the Bank’s non-financial reporting system in line with the best practices of international financial institutions and the requirements of the international stakeholder engagement standard AA1000. The Policy governs the stakeholder engagement procedures related to non-financial reporting.

The hearings on the draft Vnesheconombank Group Sustainability Report 2013 became the first step in implementing the Policy. The hearings involved representatives of Vnesheconombank’s subsidiary organisations and structural units. Vnesheconombank is planning to engage a wider range of stakeholders in the preparation of non-financial reporting going forward.
5.5. Personnel Management

Developing human capital is an intrinsic value of Vnesheconombank. The Bank’s HR policies aim to recruit and maintain a talent pool, unlock employee professional and personal potential and provide employees with social protection.

In 2013, training events were attended by 1,270 employees of Vnesheconombank – 56.8% of its total headcount.

348 employees were trained in foreign languages, 324 employees, in computer skills, and 10 employees attended higher education courses.

Vnesheconombank’s HR policy is based on the strict compliance with the requirements of the Constitution, Labour Code and other legal regulatory acts of the Russian Federation. Vnesheconombank has no forms of labour discrimination and guarantees equal rights and opportunities to all its employees regardless of their gender, religious and political beliefs, ethnic origin and age. In 2013, Vnesheconombank did not record any breaches of labour laws.

In its efforts to improve the personnel management system, Vnesheconombank is guided by the leading-edge approaches and best global practices to keep the personnel management system sufficiently flexible and ensure that it is rapidly and efficiently adapting to changes in legislation and the market situation.

Vnesheconombank’s shop-floor trade union, which counted 945 members as of late 2013, follows up the compliance with the terms of employment agreements and corporate regulatory documents of Vnesheconombank that govern the personnel’s health and labour safety and non-government pension security.

Overview of Vnesheconombank’s personnel

As of the end of 2013, the actual headcount of Vnesheconombank was 2,235 employees, which is 213 employees higher year-on-year. The Bank’s headcount structure did not undergo any significant changes. As in 2012, women (53.3%) marginally outnumbered men, while employees aged between 31 and 50 years still accounted for a larger part of the personnel (53.96%). The share of employees with a higher education degree slightly grew from 83% as of late 2012 to 86.4% as of the end of 2013.
In 2013, the personnel turnover rate in Vnesheconombank stood at 0.06. In total, 131 employees left the Bank in 2013, which is 46 employees more than in the previous year.

### Vnesheconombank’s personnel turnover rate in 2013

<table>
<thead>
<tr>
<th>Age category of employees</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>30-50 inclusively</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Above 50</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

7 The personnel turnover rate is determined in line with GRI methodology based on the number of employees who have quit the organisation on their own free will, were dismissed for other reasons, retired or deceased while employed by the organisation.
### Structure of Vnesheconombank’s personnel by type of employment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual headcount by type of employment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total headcount, including:</td>
<td>1,044</td>
<td>1,191</td>
</tr>
<tr>
<td>/ Organisation employees (permanent employment)</td>
<td>1,034</td>
<td>1,171</td>
</tr>
<tr>
<td>/ Organisation employees (temporary employment/ fixed term employment contract)</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Actual headcount by type of employment contract, employee category and gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total permanent contracts, including:</td>
<td>1,034</td>
<td>1,171</td>
</tr>
<tr>
<td>/ Executives</td>
<td>380</td>
<td>344</td>
</tr>
<tr>
<td>/ Specialists</td>
<td>492</td>
<td>806</td>
</tr>
<tr>
<td>/ Other employees (technical staff)</td>
<td>162</td>
<td>21</td>
</tr>
<tr>
<td>Total temporary (fixed term) contracts, including:</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>/ Executives</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>/ Specialists</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>/ Other employees (technical staff)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Recruitment and new employees’ adaptation

Vnesheconombank’s Regulations on Recruiting the Personnel to Fill Vacant Positions sets out the principle of equal opportunities for all applicants participating in the competitive selection procedure, and unbiased evaluation of their capabilities. Applicants’ professional qualities are the decisive factors in making the employment decision, with no preferences for local residents.

Vnesheconombank operates an on-boarding system for new employees to promptly and efficiently adapt to their new positions. The system assigns a coach to each new employee, who is responsible for the employee’s on-boarding. The coaches are selected out of the most experienced employees with similar job duties. In 2013, on-boarding courses were organised for 266 new employees.
Labour remuneration and employee incentive programme

Vnesheconombank focuses on building and enhancing an efficient labour remuneration system as a priority of its HR policy. In 2013, Vnesheconombank continued elaborating its labour remuneration and employee incentive system to make the staff more motivated in achieving Vnesheconombank’s strategic goals by diligently performing job duties up to the highest standards. The employee remuneration level is determined based on transparent standardised mechanisms that pursue a differentiated approach to incentivising payments depending on corporate performance against key performance indicators and the employee’s individual performance.

Additionally, in 2013, Vnesheconombank developed and implemented a procedure that provides for lump-sum bonuses payable to employees who help to solve the Bank’s emerging challenges and implement initiatives promoting the Bank’s growth.

In 2013, Vnesheconombank ran its annual personnel appraisal to evaluate employees’ individual performance in 2012 subject to individual targets achieved by employees and the professional and personal competences developed by them.

In the reporting year, 1,585 employees of the Bank underwent a performance and career development appraisal (666 men and 919 women, which represents 63.8% men and 77.2% women of the total headcount for these categories). The results of the appraisal were used to assess the individual portions of the annual bonuses payable to employees.

In general, the current level of remuneration payable to Vnesheconombank’s employees is in line with the average market figures of the lending and financial industry. In 2013, the amount of salary for the low-level employees was RUB 14,400, which was 1.18 higher than the minimum wages set out in the Agreement between the Government of Moscow, Moscow Trade Union Associations and Moscow Employer Associations of 12 December 2012.

An important component of Vnesheconombank’s employee incentive framework also consists in non-financial rewards. In 2013, the Bank awarded marks of distinction for good faith labour and excellence to 320 employees (14.3% of total headcount).
Career enhancement for employees

To maintain a high professional level and motivation of its employees, Vnesheconombank operates a personnel training system that seeks to enhance employees’ qualifications and train them in knowledge and skills to remain highly competitive in the labour market.

In 2013, the training events were attended by 1,270 employees of Vnesheconombank (56.8% of total headcount). The average number of training hours per employee was more than 12.

In 2013, the personnel were trained in:

- anti-money laundering and counter terrorist financing;
- combating the illegal use of insider information;
- accounting and IFRS;
- foreign language and information technologies;
- labour safety;
- management, finance and investment.

Additionally, in 2013, 10 employees of Vnesheconombank had an opportunity to complete higher education programmes for account of Vnesheconombank.

To analyse the best international practices and leading-edge technologies, Vnesheconombank’s representatives regularly participate in events providing for experience exchange with foreign development institutions, international financial organisations, associations, unions, training centres and business schools.
Experience exchange events involving Vnesheconombank’s representatives

| Events under the agreement on cooperation in personnel training and experience exchange among member banks of the Shanghai Cooperation Organisation Interbank Consortium | A workshop for experience exchange with the Development Bank of Kazakhstan in key business lines (Astana, 19 participants) / A workshop for experience exchange with the Development Bank of Kazakhstan on compliance (Moscow, 22 participants) |
| Events under the multilateral Memorandum of Cooperation in personnel training and experience exchange among development institutions of BRICS member countries | A workshop for experience exchange with the Bank for Economic and Social Development of Brazil (Rio de Janeiro, 18 participants) |
| Cooperation with international financial organisations | The 1st training workshop of the International Financial Corporation on Financing of Energy Efficiency Projects (Moscow, 20 participants) / A training workshop on the Analysis of Environmental and Social Investment Projects organised jointly with the UNEP Fi (Moscow, 43 participants) |
| Cooperation with foreign universities | A workshop on experience exchange with the French Public Investment Bank, Ministry of Economics and Finance of France and the French Government Shareholding Agency (APE) on the System of Corporate Governance: Experience of French Public Organisations and Development Institutions (Moscow, 37 participants) |
| Involvement by Vnesheconombank’s representatives in the training events of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) | A training on the financial and economic evaluation of investment projects (2 participants from Vnesheconombank) / A certificated programme developed for specialists from development institutions of ADFIAP member countries (6 participants from Vnesheconombank) |

Vnesheconombank has been consistently assessing the efficiency of training events by running a questionnaire survey among employees that participate in such events. In 2013, more than half of employees that took part in the trainings (56.4%) assessed the organisational level of the training events as “excellent”, while 98.2% of respondents noted that they would apply new skills in work. The results of the employees’ feedback are taken into account when preparing the training plan for the next year.

In 2013, Vnesheconombank launched a corporate training portal to enhance its training system. The portal’s functionality includes special remote e-courses for employees, participant feedback capabilities, and a database for all training events of the Bank.
In 2013, personal competence enhancement programmes were attended by 1,683 employees of Vnesheconombank Group's entities.

521 employees were trained in computer skills, 471 employees – in foreign languages, and 12 employees attended higher education courses.

As of the end of 2013, Vnesheconombank Group's headcount was 16,807 employees\(^8\) up 544 employees year-on-year. The Group's headcount structure did not undergo any significant changes. As in 2012, women (65.16%) marginally outnumbered men, while employees aged between 31 and 50 years still accounted for a larger part of the personnel (50.3%). Highly qualified employees with a higher education degree form the backbone of the Group's team (82.2% of total headcount).

In 2013, the salary level for the low-level employees in all Vnesheconombank Group's entities was above the minimum wages applicable in the regions of their presence. A number of entities ran personnel performance appraisals (see Appendix 5).

Vnesheconombank Group's personnel breakdown

\(^8\) Exclusive of subsidiaries and associates of Vnesheconombank Group entities.
### Vnesheconombank Group’s personnel turnover rate\(^9\) in 2013

<table>
<thead>
<tr>
<th>Age category of employees</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>31-50 inclusively</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Above 50</td>
<td>0.2</td>
<td>0.1</td>
</tr>
</tbody>
</table>

### Vnesheconombank Group’s personnel by type of employment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actual headcount by type of employment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total headcount, including:</td>
<td>5,854</td>
<td>10,953</td>
</tr>
<tr>
<td>/ Organisation employees (permanent employment)</td>
<td>5,767</td>
<td>10,483</td>
</tr>
<tr>
<td>/ Organisation employees (temporary employment/fixed-term employment contract)</td>
<td>87</td>
<td>470</td>
</tr>
<tr>
<td><strong>Actual headcount by type of employment contract, employee category and gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total permanent contracts, including:</td>
<td>5,767</td>
<td>10,483</td>
</tr>
<tr>
<td>/ Executives</td>
<td>1,522</td>
<td>1,588</td>
</tr>
<tr>
<td>/ Specialists</td>
<td>3,393</td>
<td>8,161</td>
</tr>
<tr>
<td>/ Other employees (technical staff)</td>
<td>852</td>
<td>734</td>
</tr>
<tr>
<td>Total temporary (fixed-term) contracts, including:</td>
<td>87</td>
<td>470</td>
</tr>
<tr>
<td>/ Executives</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>/ Specialists</td>
<td>78</td>
<td>412</td>
</tr>
<tr>
<td>/ Other employees (technical staff)</td>
<td>3</td>
<td>33</td>
</tr>
</tbody>
</table>

\(^9\) Exclusive of data related to Vnesheconombank.
In 2013, employees attended career enhancement and occupational retraining programmes in all entities of Vnesheconombank Group. Additionally, some entities of the Group provided their employees with an opportunity to complete personal competences development programmes and take foreign language and computer literacy courses. (Details on the average number of training hours see in Appendix 6).

5.6. Social Policy

In order to recruit, retain, motivate employees and unlock their professional and personal potential, Vnesheconombank implements HR policies focused on employee social security.

Vnesheconombank offers its employees an expanded social security package that includes, as its permanent components, the voluntary healthcare insurance (VHI) and non-government pension schemes, and additional social benefits. The latter comprise health resort and recreation programmes for employees and their family members, health insurance for employees during their cross-border business and personal trips, accident insurance, and personal property and motor insurance.

The social benefits are offered to full-time staff employees of Vnesheconombank. They also cover members of employees’ families and retirees (members of the Council of Labour Veterans). The membership in Vnesheconombank’s Council of Labour Veterans (CLV) is offered to employees who have worked in the Bank for at least 10 years and retired for age or disability (Groups I and II) reasons.

In 2013, the health resort and recreation programmes involved: 119 employees of the Bank, 12 retirees (Vnesheconombank’s labour veterans) and 82 members of employees’ families.
## Results of social programmes implemented by Vnesheconombank in 2013

<table>
<thead>
<tr>
<th>Programme</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vnesheconombank’s VHI programme</td>
<td>In 2013, 2,894 persons were insured under the VHI programme, including 2,109 employees of the Bank, 328 CLV retirees, 455 members of employees’ families, including 199 children aged between 0 and 3 years (including 271 family members whose insurance was financed by respective employees). 50 female employees of the Bank recurred to the Prenatal Supervision of Pregnant Women programme, and 41 female employees used the Obstetric Aid programme.</td>
</tr>
<tr>
<td>Medical examinations of employees</td>
<td>In 2013, 212 new employees underwent preliminary medical examinations. In 2013, 1,371 employees who work with personal computers over 50% of their working time and 35 employees of the catering facilities underwent scheduled medical examinations.</td>
</tr>
<tr>
<td>Health resort (rehabilitation) treatment programme</td>
<td>In 2013, 73 persons completed treatment under the programme, including 45 employees of the Bank, 7 CLV retirees and 21 members of employees’ families.</td>
</tr>
<tr>
<td>LLC Razvitye Recreation Centre programme</td>
<td>In 2013, the recreation centre of LLC Razvitye was visited by 140 persons, including 74 employees of the Bank, 5 CLV retirees and 61 members of employees’ families.</td>
</tr>
<tr>
<td>Insurance programmes of Vnesheconombank</td>
<td>In 2013, accident insurance was taken out by 14 cash operators and 39 employees of Vnesheconombank’s representative offices in Russia. 1,249 insurance policies for business and personal cross-border trips. 258 personal motor insurance policies. 8 property insurance policies.</td>
</tr>
<tr>
<td>Non-government pension security</td>
<td>As of the end of 2013, 1,767 employees of Vnesheconombank participated in the pension plan run under the non-government pension agreement with Non-state Pension Fund “Podderzhka”. Under the non-government pension agreement with NPF ‘Podderzhka’, the monthly pension benefits of RUB 9,656 in average were paid to 369 CLV retirees.</td>
</tr>
<tr>
<td>Distinguished Employee of Vnesheconombank award</td>
<td>In 2013, 12 CLV retirees were awarded the corporate badge Distinguished Employee of Vnesheconombank within the framework of the Victory Day and New Year celebrations. Their lifetime non-government pensions were increased by RUB 5 thousand.</td>
</tr>
<tr>
<td>Financial aid</td>
<td>In 2013, financial aid for RUB 12 mn was provided to 12 employees, 4 members of employees’ families and 2 CLV retirees who found themselves in a predicament. Financial aid exceeding RUB 16 mn was provided to 369 CLV retirees in line with the Regulations on Benefits to Members of Vnesheconombank’s Council of Labour Veterans.</td>
</tr>
<tr>
<td>Fitness for employees</td>
<td>In 2013, 79 employees of Vnesheconombank and members of employees’ families used discount membership cards of the World Class and World Class Lite fitness club networks.</td>
</tr>
</tbody>
</table>
Healthcare services

The VHI programme of Vnesheconombank includes a wide range of healthcare services, including outpatient polyclinic services, dental care, homecare, emergency and immediate medical services, emergency and scheduled inpatient care. The comprehensive VHI programme also comprises Prenatal Supervision over Pregnant Women and Obstetric Care extra options.

The voluntary healthcare insurance of the Bank’s employees, retiree members of Vnesheconombank’s Council of Labour Veterans, and employees’ children aged between 0 and 3 years is fully financed by Vnesheconombank. In 2013, the annual limit for expenses under the VHI programme was RUB 30 thousand per employee of Vnesheconombank. Employees may also upgrade their VHI programme to a higher level and insure his or her close relatives under a corporate VHI agreement.

The Bank offers a VHI programme covering non-insured disease treatment to Vnesheconombank’s employees who require expensive treatment. Additionally, since 2013, Vnesheconombank covers the cost of expendables required for such treatment.

In 2013, Vnesheconombank launched a new health resort (rehabilitation) treatment programme for its employees. The programme provides for treatment for a period from 14 to 18 days in a health resort in Russia. This treatment programme financed by Vnesheconombank allocates RUB 5 thousand per day per employee or per member of Vnesheconombank’s Council of Labour Veterans, and 4 thousand roubles per day per employee’s relative (spouse, child).

The scheduled medical inspections (run every 2 years) and preliminary medical inspections of new employees are an important preventive measure aimed to timely identify any diseases of the Bank’s employees.

Additionally, employees have access to medical aid at the medical aid station located in Vnesheconombank’s building that operates as part of the Doctor in Office programme. In the cold season, the medical station offers influenza vaccination to all interested employees of the Bank.

Discount insurance schemes

Vnesheconombank’s employees and their families are offered an extensive list of plans and corporate rates for personal property and motor insurance, and healthcare insurance during their business and personal cross-border trips. Cash operators and employees of Vnesheconombank’s representative offices in Russia are also offered an accident insurance scheme.

Corporate personal property and motor insurance schemes are available for all
Leisure and recreation for employees

Vnesheconombank's social policy focuses, among other things, on organising full-scale and healthy recreation for its employees, their family members and retiree members of Vnesheconombank's Council of Labour Veterans. The signing of an agreement between Vnesheconombank and the Recreation Centre of LLC Razvitiye in the Astrakhan Region has become an important step in this direction. The Bank's employees and their family members have already been spending their vacations at the Centre for several years. The vacation packages are offered to employees who have worked in Vnesheconombank for at least 1 year.

All Vnesheconombank’s employees and their family members have an opportunity to acquire membership cards of the World Class and World Class Lite fitness clubs at a discount corporate rate (from 30% to 40%). The clubs offer advanced sports equipment and a convenient location. Holders of these membership cards may also visit clubs in other Russian regions and CIS countries free of charge when on business trips, including to Vnesheconombank's Representative Offices.

LLC Razvitiye Recreation Centre programme

Vnesheconombank offers its employees, their family members and retiree members of Vnesheconombank’s Council of Labour Veterans an opportunity to improve their health and recover their work capabilities by visiting the Recreation Centre of LLC Razvitiye located in an environmentally clean area 65 kilometres from Astrakhan on the bank of the Volga River.

The Centre offers a well-developed infrastructure, high quality services and has everything to provide full-scale recreation. The Centre keeps a horse stable to offer equestrian riding, including horse riding coach services. The visitors also have an opportunity to use motor boats of different scale for active water leisure.

The cost of the vacation packages for employees and retiree members of Vnesheconombank’s Council of Labour Veterans is fully financed by Vnesheconombank. Close relatives of the Bank’s employees are refunded 80% of the package cost.
Non-government pension security

The pension scheme applicable in Vnesheconombank is implemented under the non-government pension security agreement with NPF "Podderzhka". Under the terms of the agreement, Vnesheconombank pays monthly contributions to registered personal pension accounts of its employees who have worked in the Bank for at least 1 year. The non-government pension is payable to the Bank’s employees who have reached the retirement age and who have worked in Vnesheconombank for at least 5 years.

Retiree members of Vnesheconombank’s Council of Labour Veterans are offered a pension scheme under the non-government pension security agreement with Non-State Pension Fund "Vnesheconomfond".

Social programmes for Vnesheconombank Group’s employees

In 2013, the key types of benefits provided by almost all Vnesheconombank Group’s entities to full-time employees included healthcare insurance and financial aid. As a year before, Bank BelVEB, Prominvestbank and VEB-Leasing offered their employees the most comprehensive social security package.

Across the Group in general, the number of employees insured under VHI programmes exceeded 10 thousand people, while the total amount of financial aid provided to employees was above RUB 260 mn. The Group’s entities also quite actively insured their employees against accidents, primarily cash operators. In 2013, the overall number of such employees was about 400 people across the Group.

Some entities of the Group offer their employees extra benefits, e. g. partial reimbursement of catering costs in Eximbank of Russia, free-of-charge excursions for employees and their family members in Sviaz-Bank, and corporate gifts for employees and their children.
5.7. Occupational Health and Safety

To prevent occupational injuries and occupational diseases, Vnesheconombank is taking a number of occupational health measures that include introductory briefings for new employees, scheduled briefings with engineers and operators, and annual occupational health trainings and tests. Fire safety is provided by maintaining fire safety systems and facilities in operational condition and training employees in fire safety practices.

In 2013, 298 occupational safety briefings were held with all Vnesheconombank’s new employees.


No complaints related to occupational safety were submitted by employees to supervisory authorities or to the Bank’s management. Oral claims by employees were followed by on-the-spot investigations and relevant measures to address any breaches that were identified.

In 2013, to ensure fire safety and maintain fire safety facilities in good state, Vnesheconombank took the following measures:

- upgraded the fire safety system of the building, including equipment of the premises where fuel for diesel generator units is stored with a dry chemical fire suppression system and instalment of self-activating fire extinguishers above the hanging ceiling on the 4th floor in Zone G of the Bank's Building;
- organised 24/7 monitoring of automated fire safety systems to assess its state and maintain in an operable state;
- checked and recharged primary fire extinction facilities (dry and CO2 fire extinguishers);
- checked and rerolled fire hoses in fire hose cabinets of the internal firefighting water pipeline;
- checked and tested external fire escapes at level difference points and on the building’s roof;
- checked the operability of fire safety systems and facilities in line with the maintenance and preventive repair schedules;

No occupational injuries or diseases were recorded in Vnesheconombank in 2013.
acquired electric lamps (1 lamp per 50 people) to ensure safe evacuation of the Bank's employees at night and during blackouts.

Fire safety trainings held by Vnesheconombank for its employees included an introductory fire safety briefing for all new employees, and a 4-hour technical fire safety programme in line with the Basics of Fire Safety system that was attended by 80 employees of the Bank. Additionally, in 2013, Vnesheconombank ran drills to rescue people from the building in the event of a fire.

Occupational health and fire safety trainings in Vnesheconombank Group's entities

In 2013, the occupational health safety trainings involved more than 8 thousand employees of Vnesheconombank Group's entities. More than 400 employees completed random knowledge tests. To prevent occupational diseases, the Group's entities held workshops discussing the causes for diseases and injuries at work. Sviaz-Bank, VEB-Leasing, EXIAR and RDIF ran an assessment of working conditions at work places. More than 750 work places were successfully certified as conformant.

The Group's entities did not record any cases of diseases caused by occupational factors. Two entities of the Group had occupational accidents. One of them occurred in GLOBEXBANK to a driver of the Tolyatti Regional Centre of the Povolzhskiy Branch who accidentally fell when getting into the car. To prevent such accidents, an unscheduled briefing on occupational safety was held for all drivers of the Povolzhskiy Branch.

The other case took place in Prominvestbank where a cash-in-transit driver suffered a head injury as a result of a traffic accident. The experts concluded that the accident was caused by a violation of the traffic rules by the driver. To minimise the risk of similar accidents in future, the Bank approved an action plan to prevent traffic accidents and related injuries.

Appendix 3 shows the occupational injury, occupational disease, lost day and workplace absence rates by gender.

10 Exclusive of the respective trainings conducted by Vnesheconombank in 2013.
5.8. Volunteering

Volunteering is an integral part of Vnesheconombank’s corporate culture representing the employees’ strive to take an active part in the public life. Regular support to children without parental care, aged people, and pet shelters has become a good tradition of the Bank’s employees and their family members always willingly providing help.

In 2013, Vnesheconombank won the Corporate Volunteering category in the municipal competition Volunteer of the Year 2012 held by the Government of Moscow.

Over the year, the Bank ran 19 voluntary initiatives that involved employees of both the Bank and the Group’s entities.

Vnesheconombank promotes the volunteering by implementing a set of measures aimed to engage more employees in regular volunteer actions and to expand the range of support areas. Among other things, the Bank provides its employees with an additional annual paid leave day, the Volunteer Day that can be used to participate in any volunteering initiatives of the Bank.

Vnesheconombank’s volunteer initiatives in 2013

/ A series of raise funding events were held to buy gifts and organise educational entertainment for boarding school children in Voskresensk. Apart from already traditional New Year gifts bought for the money collected by the Bank’s employees, the organisers held several master classes for the boarding school students. Additionally, 20 children were sent to a summer camp in the Sheksna resort in Sochi.

/ As part of the Pleasures of the Third-Age project, the Bank launched a series of events to collect aid for aged people from the nursing department of the village of Ostashevo in the Volokolamskiy District of the Moscow Region. The
proceeds were used to buy medicines, bed-linen, clothes, and personal care products.

/ As part of the Days of Good project, the Bank organised an Easter event to raise funds for the reconstruction of the Jerusalem Convent of the Exaltation of the Holy Cross.

/ The Bank ran a number of events to support the Call of Ancestors homeless animal shelter. The Bank’s employees also took part in a charity Christmas fair, Hearty Bazar where they brought their, often hand-made, gifts. All proceeds from the sale were given to the shelter.

/ The Bank held 3 blood donation events that involved more than 250 employees of the Group, a record high number of donors as compared to previous years.

/ The Bank organised a fundraising event at request by 2 employees of the Bank to help their relatives and close friends who required expensive treatment.

Volunteering areas (% of the total events)

- Aid to children in boarding schools of the Moscow Region: 32%
- Aid to patients of the nursing department in the hospital of the village of Ostashevo: 21%
- Donor action: 16%
- Help to animal shelters: 16%
- Help to employees, their relatives and friends: 10%
- Donations to the Russian Orthodox Church: 5%
Volunteer movement in Vnesheconombank Group’s entities

In 2013, own volunteer initiatives were implemented by such entities of the Group as SME Bank, Sviaz-Bank, Globexbank, VEB-Leasing, VEB Capital, Prominvestbank and RDIF. The volunteer action focused mainly on aid to children and blood donation.

In 2013, Vnesheconombank brought forward an idea of promoting the practice of corporate volunteering across the Group that was voiced during the CSR training workshop organised for employees of the Group’s entities. To this end, the Bank launched a campaign seeking to engage the Group’s employees in volunteer projects organised and implemented by Vnesheconombank.

The most notable volunteer initiatives by the Group’s entities in 2013

/ GLOBEXBANK: New Year Celebration for Children campaign intended for children under treatment in the kidney transplantation division of the Russian Children’s Clinical Hospital.

/ VEB-Leasing: We All Come from Childhood fundraising campaign to organise holidays for orphaned children and patients of the rehabilitation centre of the Ogonyok children’s orthopaedic and traumatology clinic.

/ Prominvestbank: regular aid to the orphanage in the village of Denishi in the Zhitomir Region.

/ RDIF: fund raising for the boarding school of Torzhok.

/ SME Bank: fund raising for the victims of the flood in the Far East.
5.9. Management of Internal Environmental Impact

While realising the pressing environmental issues and how important it is to address the issues of the state policy on environmental development, Vnesheconombank seeks to reduce any excessive resource consumption and minimise the existing adverse environmental impacts caused by its general and administrative operations. Vnesheconombank has been consistently implementing a set of measures focusing on energy saving, efficient paper, water and heat consumption, and lower pollutant emissions by corporate vehicles.

By the nature of its business, Vnesheconombank does not have a direct material impact on environment. The core resources consumed by the Bank to support its office operations include electricity, heat and water. Still, in line with the best practices of Russian and international financial institutions, Vnesheconombank is embedding the green office principles into its operations considering this as an important sustainability task.

In 2013, Vnesheconombank continued developing its corporate environmental policy seeking to make the management of environmental aspects of the office operation more efficient. As part of this policy, Vnesheconombank will implement certain practices that are both directly related to operating processes and aimed at building a robust corporate environmental culture.

Objectives of the corporate environmental policy

- Build a system tracking the environmental impact by administrative and business operations.
- Implement environmentally efficient technologies.
- Build the organisational framework to implement the corporate environmental policy.
- Promote the environmental thinking.
- Promote environmental responsibility values across the Russian business community.

In 2013, Vnesheconombank’s capex for investment in conservancy totalled RUB 114.54 mn.
Vnesheconombank's environmental policy is based on the "lifecycle" approach defined in ISO 26000:2010 Guidance on social responsibility international standard which aims to reduce the environmental impact at all lifecycle stages: from procurement to service life expiry and disposal.

Vnesheconombank tries to minimise the environmental impact of its general and administrative operations in the following key areas:

- **green procurement policy** providing for universal environmental requirements to goods, works and services purchased by Vnesheconombank and environmental friendliness criteria met by suppliers;

- **sustainable resource use** through administrative mechanisms and technologies for efficient electricity, heat, water, paper, and commodity consumption and through the streamlined use of corporate vehicles;

- **waste management** by reducing waste and increasing the share of recycled or processed waste and by identifying alternative uses of decommissioned property;

- **tracking of environmental expenses** that includes capital and operating expenses of Vnesheconombank, including expenses related to waste disposal, investment in energy saving equipment and technologies, improvements to the environmental management system, and fees payable for adverse environmental impact.
Environmental impact by Vnesheconombank

In 2013, Vnesheconombank ran an energy survey that resulted in a fuel and energy consumption schedule and the Advanced Energy Saving and Energy Efficiency Programme. The Programme is designed to ensure the mandatory compliance with the organisational, legal, economic, research and engineering conditions that drive the energy efficiency of Vnesheconombank by unlocking the identified energy saving capabilities.
In 2013, Vnesheconombank’s capital expenses for investment in conservancy totalled RUB 114.54 mn, including:

/ RUB 109.81 mn for acquisition of corporate motor vehicles at least compliant with Euro-4;

/ RUB 3.02 mn for the repair of the office building involving advanced insulation materials;

/ RUB 1.72 mn to acquire energy efficient office equipment.

In 2013, Vnesheconombank paid out RUB 2.21 mn for adverse environmental impact, including RUB 2.21 mn for waste disposal and RUB 5.33 thousand for pollutant emissions by its vehicles. The cost of municipal solid waste and disposal of mercury lamps was RUB 1.50 mn. No fines and non-financial sanctions were imposed on Vnesheconombank for incompliance with conservancy and natural resource use requirements.

**Resource consumption**

Vnesheconombank cuts down its resource consumption by using energy efficient equipment for office work and running its scheduled preventive maintenance, and by running necessary repairs in office buildings using advanced insulation materials. Apart from that, the Bank controls the supply of heat and ventilation in premises to save heat during the cold seasons and electricity used by refrigerating equipment in summer.

In 2013, Vnesheconombank marginally increased its electricity consumption as a result of commissioning of 7 lifts in Zone K of the Bank.

![Electricity consumption by Vnesheconombank](chart.png)
In 2013, Vnesheconombank consumed less heat energy as a result of streamlining its ventilation system operation. The streamlining exercise was done as part of the Advanced Energy Saving and Energy Efficiency Programme of Vnesheconombank for 2013 – 2017.

Vnesheconombank buys paper products in companies that pursue responsible environmental and social policies. Paper used by Vnesheconombank meets advanced environmental requirements and is certified under international standards, including Nordic Swan, EU Flower, and PEFC. Vnesheconombank has cut down on its paper consumption by embedding electronic document flow and setting paper use limits.

Despite all measures taken in 2013, Vnesheconombank rather considerably increased its paper consumption as a result of new structural units set up and the mounting amount of information and entertainment printing materials used for forums and workshops organised by Vnesheconombank and investment projects implemented by the Bank.

In 2013, Vnesheconombank marginally increased water consumption as a result of a number of new structural units and a higher headcount.

Vnesheconombank buys paper products in companies that pursue responsible environmental and social policies. Paper used by Vnesheconombank meets advanced environmental requirements and is certified under international standards, including Nordic Swan, EU Flower, and PEFC. Vnesheconombank has cut down on its paper consumption by embedding electronic document flow and setting paper use limits.

Despite all measures taken in 2013, Vnesheconombank rather considerably increased its paper consumption as a result of new structural units set up and the mounting amount of information and entertainment printing materials used for forums and workshops organised by Vnesheconombank and investment projects implemented by the Bank.
Waste generated by Vnesheconombank

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Disposal type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely hazardous (Hazard Class I)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mercury containing waste (fluorescent lamps),</td>
<td>2,804</td>
<td>3,708</td>
<td>2,760</td>
<td>Transferred to a specialised organisa-</td>
</tr>
<tr>
<td>units</td>
<td></td>
<td></td>
<td></td>
<td>tion for disposal</td>
</tr>
<tr>
<td>Marginally hazardous (Hazard Class IV)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal solid waste (MSW), tonnes</td>
<td>587.70</td>
<td>664.20</td>
<td>659.68</td>
<td>Transferred to a specialised organisa-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>tion for landfilling</td>
</tr>
<tr>
<td>Virtually non-hazardous (Hazard Class V)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper waste (documentation), tonnes</td>
<td>29.9</td>
<td>24.8</td>
<td>26.7</td>
<td>Transferred to a specialised organisa-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>tion for recycling</td>
</tr>
</tbody>
</table>

Use of corporate vehicles

In 2013, as part of its Advanced Energy Saving and Energy Efficiency Programme for 2013 – 2017, Vnesheconombank continued upgrading its vehicle fleet by acquiring motor vehicles environmentally compliant with at least Euro-4. The share of such vehicles in its fleet grew to 88.9% as compared to 85.2% at the end of the previous year. Fuel purchased by the Bank meets the environmental requirements of Euro-4. All vehicles of the Bank are subject to regular scheduled preventive maintenance. The Bank also has in place fuel consumption limits and streamlines its corporate itineraries.

In 2013, the total mileage and fuel consumption by Vnesheconombank’s vehicles slightly grew driven by an increase in the number of business trips. However, Vnesheconombank’s vehicles decreased their average capacity per kilometre of mileage as a result of measures taken to enhance the efficiency of vehicle use.

Total mileage, fuel consumption and CO₂ emissions by Vnesheconombank’s vehicles

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Mileage</th>
<th>Total Fuel Consumption</th>
<th>CO₂ Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5,355.0</td>
<td>4,281.3</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>4,910.2</td>
<td>3,896.2</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>4,708.9</td>
<td>3,759.4</td>
<td></td>
</tr>
</tbody>
</table>

Map Total mileage, thousand kilometres

Map Total fuel consumption, thousand litres

Map CO₂ emissions, tonnes
Environmental impact by Vnesheconombank Group’s entities

Key measures taken by Vnesheconombank Group’s entities to reduce their adverse environmental impact

**LOWER RESOURCE CONSUMPTION**

Most entities of the Group apply:
- energy saving equipment;
- scheduled preventive repairs of equipment;
- control over heat supply and ventilation in premises.

The Group’s entities also repair their office buildings using advanced insulation materials.

**LOWER FUEL CONSUMPTION AND CO₂ EMISSION**

Most entities of the Group have in place the following:
- outdated corporate vehicles replaced with vehicles compliant at least with Euro-4 environmental standard;
- use of fuel compliant with Euro-4 environmental standard;
- streamlined corporate itineraries;
- scheduled preventive maintenance of corporate vehicles;
- fuel consumption limits for corporate vehicles;
- reduced number of business trips by using advanced means of communication.

**HIGHER ENERGY EFFICIENCY**

Some entities of the Group ran energy survey of their buildings and developed measures to promote energy saving and energy efficiency.

**LOWER PAPER CONSUMPTION**

Most entities of the Group apply:
- electronic document flow;
- double-sided printing;
- using drafts.

Some entities of the Group have paper use limits in place.

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11 Since the scope of data consolidation for most indicators related to general and administrative operations of Vnesheconombank Group entities changes every year, the Group’s performance on a time horizon is unavailable.
### Resource consumption by Vnesheconombank Group's entities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Scope of consolidation</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption, GJ</td>
<td>Net of data for FCPF and VEB Innovations Fund</td>
<td>189,048.91</td>
</tr>
<tr>
<td>CO₂ emissions from electricity consumption, tonnes</td>
<td>Net of data for FCPF and VEB Innovations Fund</td>
<td>18,222.21</td>
</tr>
<tr>
<td>Heat consumption, GJ</td>
<td>Net of data for FCPF, NCDC and VEB Innovations Fund</td>
<td>16,230,919.60</td>
</tr>
<tr>
<td>Water consumption, tonnes</td>
<td>Net of data for FCPF, NCDC and VEB Innovations Fund</td>
<td>309,823.61</td>
</tr>
<tr>
<td>Paper consumption, tonnes</td>
<td>Data for all Vnesheconombank Group entities</td>
<td>516.92</td>
</tr>
</tbody>
</table>

### Waste generated by Vnesheconombank Group's entities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Scope of consolidation</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely hazardous (Hazard Class I)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mercury containing waste (fluorescent lamps), units</td>
<td>Net of data for SME Bank, VEB-Leasing, VEB Capital, FCPF, The Far East and Baikal Region Development Fund, RDIF and VEB Innovations Fund</td>
<td>12,528</td>
</tr>
<tr>
<td>Marginally hazardous (Hazard Class IV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal solid waste (MSW), tonnes</td>
<td>Net of data for VEB-Leasing, FCPF, The Far East and Baikal Region Development Fund, RDIF and VEB Innovations Fund</td>
<td>1,787.23</td>
</tr>
<tr>
<td>Virtually non-hazardous (V Hazard Class)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper waste (documentation), tonnes</td>
<td>Net of data for Prominvestbank, SME Bank, EXIAR, VEB-Leasing, VEB Capital, VEB Engineering, FCPF, RDIF, The Far East and Baikal Region Development Fund and VEB Innovations Fund</td>
<td>160.20</td>
</tr>
</tbody>
</table>
### Total mileage, fuel consumption and CO₂ emissions by vehicles of Vnesheconombank Group’s entities

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Scope of consolidation</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total mileage, thousand kilometres</td>
<td>Data for all Vnesheconombank Group entities</td>
<td>624,587.2</td>
</tr>
<tr>
<td>Total fuel consumption, thousand litres</td>
<td></td>
<td>57,019.3</td>
</tr>
<tr>
<td>CO₂ emissions, tonnes</td>
<td></td>
<td>140,744.1</td>
</tr>
</tbody>
</table>

### Investment in conservancy by Vnesheconombank Group’s entities (RUB thousand)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Scope of consolidation</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of energy efficient office equipment</td>
<td>Data for Vnesheconombank, Sviaz-Bank, NCDC, The Far East and Baikal Region Development Fund, Bank BelVEB and Prominvestbank</td>
<td>101,987.5</td>
</tr>
<tr>
<td>Installation of automated energy consumption control systems</td>
<td>Data for EXIAR</td>
<td>441.3</td>
</tr>
<tr>
<td>Repair of office buildings using advanced insulation materials</td>
<td>Data for Vnesheconombank, EXIAR and Bank BelVEB</td>
<td>22,184.5</td>
</tr>
<tr>
<td>Acquisition of corporate vehicles compliance at least with Euro-4 environmental standard</td>
<td>Data for Vnesheconombank, VEB-Leasing, GLOBEXBANK, SME Bank, Sviaz-Bank, The Far East and Baikal Region Development Fund, Bank BelVEB and Prominvestbank</td>
<td>11,675,233.4</td>
</tr>
<tr>
<td>Implementation and certification of environmental management systems</td>
<td>Data for Sviaz-Bank</td>
<td>50.0</td>
</tr>
<tr>
<td>Employee training as part of environmental management systems</td>
<td>Data for Sviaz-Bank</td>
<td>216.0</td>
</tr>
<tr>
<td>Energy inspection</td>
<td>Data for EXIAR</td>
<td>116.9</td>
</tr>
</tbody>
</table>
**Waste stewardship costs of Vnesheconombank Group’s entities (RUB thousand)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Scope of consolidation</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposal of municipal solid waste</td>
<td>Data for Vnesheconombank, GLOBEXBANK, Eximbank of Russia, Sviaz-Bank, Prominvestbank, Bank BelVEB</td>
<td>3,344.0</td>
</tr>
<tr>
<td>Paper recycling</td>
<td>Data for GLOBEXBANK, Eximbank of Russia, Sviaz-Bank and Bank BelVEB</td>
<td>9,680.5</td>
</tr>
<tr>
<td>Disposal of mercury lamps</td>
<td>Data for GLOBEXBANK, Sviaz-Bank, Prominvestbank, Bank BelVEB</td>
<td>168.8</td>
</tr>
<tr>
<td>Disposal of office equipment and expendables</td>
<td>Data for VEB-Leasing, GLOBEXBANK, Sviaz-Bank</td>
<td>169.1</td>
</tr>
<tr>
<td>Supervisory certification audits of environmental management systems</td>
<td>Data for Sviaz-Bank</td>
<td>5.0</td>
</tr>
<tr>
<td>Charges for adverse environmental impact</td>
<td>Data for Vnesheconombank, SME Bank, Sviaz-Bank, Eximbank of Russia, VEB Capital</td>
<td>3,633.2</td>
</tr>
</tbody>
</table>

**Fines and non-financial sanctions for violation of environmental laws**

<table>
<thead>
<tr>
<th>Type of violation</th>
<th>Cause</th>
<th>Rectification results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fines</td>
<td>A fine imposed on SME Bank by the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing for uncontrolled emissions in the copier operation area</td>
<td>A fine of RUB 10,000 paid; the violation rectified</td>
</tr>
<tr>
<td>Non-financial sanctions</td>
<td>A prescription issued to SME Bank by the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing to determine hazardous substance classes</td>
<td>A draft Waste Hazard Class Assessment and Waste Management developed and submitted to the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing for approval</td>
</tr>
</tbody>
</table>
Appendices
# Appendix 1

## Table of Compliance with GRI Guidelines, Financial Services Sector Supplement and UN Global Compact's Principles

<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact's Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy</td>
<td>Chairman’s Statement</td>
<td></td>
</tr>
<tr>
<td>1.2 Description of key impacts, risks, and opportunities</td>
<td>5.2. Risk Management in Vneshekonombank Group</td>
<td></td>
</tr>
<tr>
<td>2.1 Name of the organization</td>
<td>About the Report Vneshekonombank's History</td>
<td></td>
</tr>
<tr>
<td>2.2 Primary brands, products, and/or services</td>
<td>1.1. Priority Business Lines 2. Development Projects 3. Impact on Investment Climate Improvement 4.1. Investment of Pension Savings</td>
<td></td>
</tr>
<tr>
<td>2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures</td>
<td>1. Vneshekonombank's Strategy Vneshekonombank's Annual Report 2013: <a href="http://www.veb.ru/common/upload/files/veb/reports/annual/WEB_Annual_2013_r1.pdf">http://www.veb.ru/common/upload/files/veb/reports/annual/WEB_Annual_2013_r1.pdf</a> The VEB Group entities' annual reports 2013 available from official sites</td>
<td></td>
</tr>
<tr>
<td>2.4 Location of organization's headquarters</td>
<td>Contact Information</td>
<td></td>
</tr>
<tr>
<td>2.5 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>Vneshekonombank Group: Key Highlights 1.1. Priority Business Lines 3.4. Attracting Foreign Investments and Technologies</td>
<td></td>
</tr>
<tr>
<td>2.6 Nature of ownership and legal form</td>
<td>About the Report Vneshekonombank's History 5.1. Corporate Governance System</td>
<td></td>
</tr>
<tr>
<td>2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)</td>
<td>1.1. Priority Business Lines 2. Development Projects 3. Impact on Investment Climate Improvement 4.1. Investment of Pension Savings</td>
<td></td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact’s Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2.9 Significant changes during the reporting period regarding size, structure, or ownership</td>
<td>2013, no significant changes regarding size, structure, or ownership were recorded in Vnesheconombank and the VEB Group entities</td>
<td></td>
</tr>
<tr>
<td>3.1 Reporting period (e.g., fiscal/calendar year) for information provided</td>
<td>01.01–31.12.2013</td>
<td></td>
</tr>
<tr>
<td>3.2 Date of most recent previous report (if any)</td>
<td>The VEB Group’s Sustainability Report 2012 was published in 2013</td>
<td></td>
</tr>
<tr>
<td>3.3 Reporting cycle (annual, biennial, etc.)</td>
<td>Vnesheconombank publishes its non-financial reports on an annual basis</td>
<td></td>
</tr>
<tr>
<td>3.4 Contact point for questions regarding the report or its contents</td>
<td>Appendix 8</td>
<td></td>
</tr>
<tr>
<td>3.5 Process for defining report content</td>
<td>About the Report 5.4. Stakeholder Engagement</td>
<td></td>
</tr>
<tr>
<td>3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)</td>
<td>About the Report</td>
<td></td>
</tr>
<tr>
<td>3.7 State any specific limitations on the scope or boundary of the report</td>
<td>About the Report</td>
<td></td>
</tr>
<tr>
<td>3.8 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>About the Report 1.1. Priority Business Lines</td>
<td></td>
</tr>
<tr>
<td>3.9 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>About the Report Vnesheconombank deploys its own internal data collection system. To collect and consolidate non-financial information regarding the Group, Vnesheconombank uses inquiry forms developed in the light of specific nature of each subsidiary’s operations and corresponding to the GRI Guidelines (Version 3.1)</td>
<td></td>
</tr>
<tr>
<td>3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods)</td>
<td>There are no re-statements of information provided in the VEB Group’s Sustainability Report 2012</td>
<td></td>
</tr>
<tr>
<td>3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report</td>
<td>There are no significant changes from the previous reporting period in the scope, boundary, or measurement methods applied in the report</td>
<td></td>
</tr>
<tr>
<td>3.12 Table identifying the location of the Standard Disclosures in the report</td>
<td>Appendix 1</td>
<td></td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact’s Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>3.13</strong> Policy and current practice with regard to seeking external assurance for the report</td>
<td></td>
<td>About the Report Appendix 9 Appendix 10</td>
</tr>
<tr>
<td><strong>4.1</strong> 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></td>
<td>5.1. Corporate Governance System</td>
</tr>
<tr>
<td><strong>4.2</strong> Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization’s management and the reasons for this arrangement)</td>
<td></td>
<td>5.1. Corporate Governance System</td>
</tr>
<tr>
<td><strong>4.3</strong> For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members</td>
<td>Vnesheconombank’s corporate governance system does not provide for a unitary board structure</td>
<td></td>
</tr>
<tr>
<td><strong>4.4</strong> Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body</td>
<td></td>
<td>5.1. Corporate Governance System 5.4. Stakeholder Engagement</td>
</tr>
<tr>
<td><strong>4.5</strong> Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization’s performance (including social and environmental performance)</td>
<td>Compensation for members of Vnesheconombank’s governing bodies is not conditional upon social and environmental performance</td>
<td></td>
</tr>
<tr>
<td><strong>4.6</strong> Processes in place for the highest governance body to ensure conflicts of interest are avoided</td>
<td></td>
<td>5.3. Responsible Business Practices</td>
</tr>
<tr>
<td><strong>4.7</strong> Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity</td>
<td>Vnesheconombank determines the composition of its governing bodies in accordance with Federal Law No. 82-FZ “On Bank for Development” dated 17 May 2007</td>
<td></td>
</tr>
<tr>
<td><strong>4.8</strong> 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>1. Vnesheconombank’s Strategy 5.2. Risk Management in Vnesheconombank Group 5.3. Responsible Business Practices 5.9. Management of Internal Environmental Impact</td>
<td></td>
</tr>
<tr>
<td><strong>4.9</strong> 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</td>
<td>1. Vnesheconombank’s Strategy Vnesheconombank submits reports to the Government of the Russian Federation and the Supervisory Board of Vnesheconombank in accordance with Article 7 of the Federal Law “On Bank for Development” and Article 11 of the Memorandum on Financial Policies of Vnesheconombank. To assess social, economic and environmental performance within the Group, Vnesheconombank issues, on an annual basis, sustainability reports approved by Vnesheconombank’s order</td>
<td></td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact's Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>4.10</strong> Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance</td>
<td></td>
<td>The list of details submitted by Vneshekonombank to the Government of the Russian Federation and the Supervisory Board of Vneshekonombank is specified in the Federal Law “On Bank for Development,” the Memorandum on Financial Policies of Vneshekonombank and other regulations</td>
</tr>
</tbody>
</table>
| **4.11** Explanation of whether and how the precautionary approach or principle is addressed by the organization | Principle 7. Businesses should support a precautionary approach to environmental challenges | Vneshekonombank does not directly address the precautionary principle to its activities. However, in making investment decisions, Vneshekonombank runs due diligence of projects, including assessment of their potential environmental impact. Approach to the risk management is described in the Annual Report 2013 and the issuer's statements available from: http://www.veb.ru/about/annual/.

5.2. Risk Management in Vneshekonombank Group
5.3. Responsible Business Practices
5.9. Management of Internal Environmental Impact |
| **4.12** Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | Highlights 2013
1. Vneshekonombank’s Strategy
4.3. Participation in the UN Global Compact and Promotion of Sustainability Principles | |
| **4.13** Memberships in associations (such as industry associations) and/or national/international advocacy organizations | Highlights 2013
1. Vneshekonombank’s Strategy | |
| **4.14** List of stakeholder groups engaged by the organization | 5.4. Stakeholder Engagement | |
| **4.15** Basis for identification and selection of stakeholders with whom to engage | 5.4. Stakeholder Engagement | |
| **4.16** Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 5.4. Stakeholder Engagement | |
| **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 | About the Report
5.4. Stakeholder Engagement | |

GRI Financial Services Sector Supplement

| FS DMA Management Approach | 1.3. Investment Management | 1. Vneshekonombank’s Strategy
5.2. Risk Management in Vneshekonombank Group
5.3. Responsible Business Practices
5.9. Management of Internal Environmental Impact |
| FS1 Policies with specific environmental and social components applied to business lines | | 1. Vneshekonombank’s Strategy
5.2. Risk Management in Vneshekonombank Group
5.3. Responsible Business Practices
5.9. Management of Internal Environmental Impact |
<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact’s Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
</table>
| FS2 Procedures for assessing and screening environmental and social risks in business lines |  | 2.3. Environmental Stewardship and Energy Efficiency Projects  
3.1. Support to Small- and Medium-Sized Enterprises  
5.2. Risk Management in Vnesheconombank Group  
5.3. Responsible Business Practices |
| FS3 Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions |  | 1.3. Investment Management |
| FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines |  | 1.3. Investment Management  
5.5. Personnel management |
| FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities |  | 1.3. Investment Management  
5.2. Risk Management in Vnesheconombank Group  
5.3. Responsible Business Practices |
| FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector |  | Vnesheconombank Group: Key Highlights  
1.1. Priority Business Lines  
1.2. Strategy Implementation. Sustainability Objectives and Initiatives  
2.1. Integrated Territorial Development  
2.2. Support to Innovative Projects  
2.3. Environmental Stewardship and Energy Efficiency Projects  
3.1. Support to Small- and Medium-Sized Enterprises  
3.2. Development of PPP Mechanisms  
3.3. Support to Exports |
| FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose |  | Vnesheconombank Group: Key Highlights  
1.1. Priority Business Lines  
1.2. Strategy Implementation. Sustainability Objectives and Initiatives  
2.1. Integrated Territorial Development  
2.2. Support to Innovative Projects  
2.4. Vnesheconombank’s Olympic Projects  
3.1. Support to Small- and Medium-Sized Enterprises  
3.2. Development of PPP Mechanisms  
3.3. Support to Exports  
4.1. Investment of Pension Savings  
5.3. Responsible Business Practices |
<p>| FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose |  | 2.3. Environmental Stewardship and Energy Efficiency Projects |
| FS14 Initiatives to improve access to financial services for disadvantaged people |  | 5.3. Responsible Business Practices |
| FS16 Initiatives to enhance financial literacy by type of beneficiary |  | 3.5. Developing the talent pool for investment operations |</p>
<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact's Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Performance Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EC DMA</strong> Management Approach</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **EC1** 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 | 1.1. Priority Business Lines  
The VEB Group entities’ annual reports available from official sites  
4.2. Charity |
| **EC2** Financial implications and other risks and opportunities for the organization's activities due to climate change | Principle 7. Businesses should support a precautionary approach to environmental challenges | Neither Vnesheconombank nor the VEB Group's entities assess financial implications due to climate change |
| **EC3** Coverage of the organization's defined benefit plan obligations | Principle 5.6. Social policy | |
| **EC5** Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | Principle 5.5. Personnel management  
Wages in the VEB Group's entities are not conditional upon employees’ gender | |
| **EC7** Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | Principle 5.5. Personnel management | |
| **EC8** Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement | 1.2. Strategy Implementation. Sustainability Objectives and Initiatives  
1.3. Investment Management  
2. Development Projects  
3.1. Support to Small- and Medium-Sized Enterprises  
3.2. Development of PPP Mechanisms  
3.3. Support to Exports  
3.4. Attracting Foreign Investments and Technologies  
3.5. Developing the Talent Pool for Investment Operations  
4.2. Charity  
5.5. Responsible Business Practices | |
| **EC9** Understanding and describing significant indirect economic impacts, including the extent of impacts | 1.2. Strategy Implementation. Sustainability Objectives and Initiatives  
1.3. Investment Management  
2.1. Integrated Territorial Development  
2.2. Support to Innovative Projects  
2.3. Environmental Stewardship and Energy Efficiency Projects  
3.1. Support to Small- and Medium-Sized Enterprises  
3.2. Development of PPP Mechanisms  
3.3. Support to Exports  
3.4. Attracting Foreign Investments and Technologies  
3.5. Developing the Talent Pool for Investment Operations  
4.2. Charity | |
<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact’s Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Performance Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EN1 Materials used by weight or volume</strong></td>
<td>Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</td>
<td>5.9. Management of Internal Environmental Impact</td>
</tr>
<tr>
<td><strong>EN2 Percentage of materials used that are recycled input materials</strong></td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</td>
<td>Neither Vnesheconombank nor the VEB Group entities use any materials classified as recycled or reused waste.</td>
</tr>
<tr>
<td><strong>EN3 Direct energy consumption by primary energy source</strong></td>
<td>Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</td>
<td>5.9. Management of Internal Environmental Impact. Neither Vnesheconombank nor the VEB Group entities use any nonrenewable energy sources.</td>
</tr>
<tr>
<td><strong>EN4 Indirect energy consumption by primary source</strong></td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</td>
<td>5.9. Management of Internal Environmental Impact. Neither Vnesheconombank nor the VEB Group entities use any nonrenewable energy sources.</td>
</tr>
<tr>
<td><strong>EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives</strong></td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</td>
<td>5.9. Management of Internal Environmental Impact.</td>
</tr>
<tr>
<td><strong>EN7 Initiatives to reduce indirect energy consumption and reductions achieved</strong></td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</td>
<td>5.9. Management of Internal Environmental Impact.</td>
</tr>
<tr>
<td><strong>EN8 Total water withdrawal by source</strong></td>
<td>Principle 7. Businesses should support a precautionary approach to environmental challenges. Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.</td>
<td>Vnesheconombank and the VEB Group entities entered into contracts for utility services including water supply.</td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact’s Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------</td>
<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>EN9 Water sources significantly affected by withdrawal of water</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Vnesheconombank and the VEB Group entities entered into contracts for utility services including water supply</td>
</tr>
<tr>
<td>EN10 Percentage and total volume of water recycled and reused</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies</td>
<td>Neither Vnesheconombank nor the VEB Group entities re-use or recycle water in the course of their business</td>
</tr>
<tr>
<td>EN11 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>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities operate in protected areas and areas of high biodiversity value</td>
</tr>
<tr>
<td>EN12 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>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities operate in protected areas and areas of high biodiversity value</td>
</tr>
<tr>
<td>EN13 Habitats protected or restored</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities have impacts on biodiversity in the course of their business</td>
</tr>
<tr>
<td>EN14 Strategies, current actions, and future plans for managing impacts on biodiversity</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities have impacts on biodiversity in the course of their business</td>
</tr>
<tr>
<td>EN15 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>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities have impacts on biodiversity in the course of their business</td>
</tr>
<tr>
<td>EN16 Total direct and indirect greenhouse gas emissions by weight</td>
<td>Principle 7. Businesses should support a precautionary approach to environmental challenges Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>5.9. Management of Internal Environmental Impact</td>
</tr>
<tr>
<td>EN17 Other relevant indirect greenhouse gas emissions by weight</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>5.9. Management of Internal Environmental Impact</td>
</tr>
<tr>
<td>EN19 Emissions of ozone-depleting substances by weight</td>
<td>Principle 7. Businesses should support a precautionary approach to environmental challenges Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities produce emissions of ozone-depleting substances in the course of their business</td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact's Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>--------------------------------------</td>
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<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>EN20 NO, SO, and other significant air emissions by type and weight</td>
<td>Principle 7. Businesses should support a precautionary approach to environmental challenges Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities produce significant air emissions in the course of their business</td>
</tr>
<tr>
<td>EN21 Total water discharge by quality and destination</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>5.9. Management of Internal Environmental Impact Vnesheconombank and the VEB Group entities entered into contracts for utility services including water discharge</td>
</tr>
<tr>
<td>EN22 Total weight of waste by type and disposal method</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>5.9. Management of Internal Environmental Impact</td>
</tr>
<tr>
<td>EN23 Total number and volume of significant spills</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>In 2013, no significant spills were recorded in Vnesheconombank and the VEB Group entities</td>
</tr>
<tr>
<td>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</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities are engaged in any activities related to hazardous waste in accordance with Annexes I, II, III and IV of the Basel Convention</td>
</tr>
<tr>
<td>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</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>Neither Vnesheconombank nor the VEB Group entities have significant impacts on any water bodies in the course of their business</td>
</tr>
<tr>
<td>EN27 Percentage of products sold and their packaging materials that are reclaimed by category</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies</td>
<td>This indicator is not relevant since neither Vnesheconombank nor the VEB Group entities use packaging materials in the course of their business</td>
</tr>
<tr>
<td>EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>In 2013, neither Vnesheconombank nor the VEB Group entities were liable to any significant fines and non-monetary sanctions for noncompliance with environmental laws and regulations</td>
</tr>
<tr>
<td>EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce</td>
<td>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>5.9. Management of Internal Environmental Impact</td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact's Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| EN30 Total environmental protection expenditures and investments by type | Principle 7. Businesses should support a precautionary approach to environmental challenges  
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility  

**Labor Practices Performance Indicators**

**LA DMA Management Approach**

- Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation

| LA1 Total workforce by employment type, employment contract, and region, broken down by gender | Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation | 5.5. Personnel Management  
5.6. Social Policy  
5.7. Occupational Health and Safety |

| LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region | Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation | 5.5. Personnel Management  
Appendix 4 |

| LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation | 5.5. Personnel Management  
5.6. Social Policy |

| LA4 Percentage of employees covered by collective bargaining agreements | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | 5.5. Personnel Management  
Within the VEB Group entities, Bank BelVEB and Prominvestbank have entered collective bargaining agreements between the respective employers and trade unions |

| LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | The employees are notified of significant operational changes in Vnesheconombank and the VEB Group entities in accordance with the Labor Code of the Russian Federation. The current version of the collective agreement does not provide for the definition of the minimum employees’ notice period regarding the employer’s significant operational changes |

| LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights | 5.7. Occupational Health and Safety  
Appendix 3 |

<p>| LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights | Neither Vnesheconombank nor the VEB Group entities provide training or counseling services regarding serious diseases for employees, their families and community members |</p>
<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact’s Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA9 Health and safety topics covered in formal agreements with trade unions</td>
<td>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights</td>
<td>The current version of the collective agreement provides for that the trade union and the employer annually approve the trade union’s plan of mass cultural and health and fitness events</td>
</tr>
<tr>
<td>LA10 Average hours of training per year per employee by gender, and by employee category</td>
<td>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
<td>5.5. Personnel Management Appendix 6</td>
</tr>
<tr>
<td>LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td></td>
<td>5.5. Personnel Management</td>
</tr>
<tr>
<td>LA12 Percentage of employees receiving regular performance and career development reviews, by gender</td>
<td>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
<td>Appendix 5</td>
</tr>
<tr>
<td>LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity</td>
<td>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
<td>5.1. Corporate Governance System 5.5. Personnel Management</td>
</tr>
<tr>
<td>LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation</td>
<td>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
<td>Basic salary of Vnesheconombank’s employees is not conditional upon employees’ gender</td>
</tr>
<tr>
<td>LA15 Return to work and retention rates after parental leave, by gender</td>
<td>Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
<td>Vnesheconombank and the VEB Group entities strictly comply with regulations of the applicable law and guarantee employees to retain their positions during parental leave as required by the applicable law</td>
</tr>
</tbody>
</table>

**Human Rights Performance Indicators**

<table>
<thead>
<tr>
<th>HR DMA Management Approach</th>
<th>Principles 1-6</th>
<th>5.5. Personnel Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR4 Total number of incidents of discrimination and corrective actions taken</td>
<td>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  Principle 2. Businesses should make sure that they are not complicit in human rights abuses  Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation</td>
<td>In 2013, no incidents of discrimination were revealed in the practices of Vnesheconombank and the VEB Group entities</td>
</tr>
<tr>
<td>Disclosure/GRI Performance Indicator</td>
<td>UN Global Compact's Principles</td>
<td>Sections of the Report/Comments and Additional Information/References to Other Sources</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses  
Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | Neither Vnesheconombank nor the VEB Group entities are engaged in any activities in which the right to exercise freedom of association and collective bargaining may be at risk |
| HR6 Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses  
Principle 5. Businesses should uphold the effective abolition of child labor | Neither Vnesheconombank nor the VEB Group entities are involved in any activities which may have significant risk for incidents of child labor |
| HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses  
Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labor | Neither Vnesheconombank nor the VEB Group entities are engaged in any activities which may have significant risk for incidents of forced or compulsory labor |
| HR9 Total number of incidents of violations involving rights of indigenous people and actions taken | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses | Neither Vnesheconombank nor the VEB Group entities are engaged in any activities which may have significant risk for incidents of violations involving rights of indigenous people |
| HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses | In 2013, neither Vnesheconombank nor the VEB Group entities recorded any grievances related to human rights filed, addressed and resolved through formal grievance mechanisms |

**Society Performance Indicators**

| SO DMA Management Approach | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 2. Businesses should make sure that they are not complicit in human rights abuses | 5.3. Responsible Business Practices  
5.4. Stakeholder Engagement |
<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact’s Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
</table>
| SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights | 1.3. Investment Management  
2.1. Integrated Territorial Development  
2.2. Support to Innovative Projects  
2.3. Environmental Stewardship and Energy Efficiency Projects  
3.1. Support to Small- and Medium-Sized Enterprises  
3.2. Development of PPP Mechanisms  
3.3. Support to Exports  
3.4. Attracting Foreign Investments and Technologies  
3.5. Developing the Talent Pool for Investment Operations |
| SO3 Percentage of employees trained in organization’s anti-corruption policies and procedures | Principle 10. Businesses should work against corruption in all forms, including extortion and bribery | 5.3. Responsible Business Practices  
Appendix 2 |
| SO4 Actions taken in response to incidents of corruption | Principle 10. Businesses should work against corruption in all forms, including extortion and bribery | 5.3. Responsible Business Practices |
| SO5 Public policy positions and participation in public policy development and lobbying | Principles 1-10 | 2. Development Projects  
3. Impact on Investment Climate Improvement  
4.3. Participation in the UN Global Compact and Promotion of Sustainability Principles  
5.4. Stakeholder Engagement |
| SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | Principle 10. Businesses should work against corruption in all forms, including extortion and bribery | In 2013, neither Vnesheconombank nor the VEB Group entities made financial and/or in-kind contributions to political parties, politicians, and related institutions. Vnesheconombank is not entitled to support political parties in accordance with Federal Law No. 95-FZ “On Political Parties” dated 11 July 2001 |
| SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | | In 2013, no legal actions for anticompetitive behavior were recorded against Vnesheconombank and the VEB Group entities.  
5.3. Responsible Business Practices |
| SO8 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations | | In 2013, neither Vnesheconombank nor the VEB Group entities were liable to any significant fines or non-monetary sanctions |

**Product Responsibility Performance Indicators**

| PR DMA Management Approach | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights  
Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility | About the Report  
5.3. Responsible Business Practices |
<table>
<thead>
<tr>
<th>Disclosure/GRI Performance Indicator</th>
<th>UN Global Compact’s Principles</th>
<th>Sections of the Report/Comments and Additional Information/References to Other Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1 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>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights</td>
<td>This indicator is not relevant since Vnesheconombank and the VEB Group entities’ performance does not have significant health and safety impacts</td>
</tr>
<tr>
<td>PR2 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>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights</td>
<td>This indicator is not relevant since Vnesheconombank and the VEB Group entities’ performance does not have significant health and safety impacts</td>
</tr>
<tr>
<td>PR4 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>Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility</td>
<td>This indicator is not relevant for Vnesheconombank and the VEB Group entities since their performance does not provide for labeling</td>
</tr>
<tr>
<td>PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</td>
<td></td>
<td>5.3. Responsible Business Practices</td>
</tr>
<tr>
<td>PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</td>
<td>Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights</td>
<td>5.3. Responsible Business Practices Appendix 7</td>
</tr>
<tr>
<td>PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services</td>
<td></td>
<td>In 2013, neither Vnesheconombank nor the VEB Group entities were liable to any significant fines for noncompliance with laws and regulations concerning the provision and use of products and services</td>
</tr>
</tbody>
</table>
Appendix 2

Share of employees trained and briefed on anti-corruption policies and procedures and AML/CTF initiatives in 2013*

<table>
<thead>
<tr>
<th>Entity</th>
<th>Executives</th>
<th>Specialists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank BelVEB</td>
<td>40.1</td>
<td>74.9</td>
</tr>
<tr>
<td>Prominvestbank</td>
<td>47.5</td>
<td>58.4</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>75.3</td>
<td>67.0</td>
</tr>
<tr>
<td>SME Bank</td>
<td>100.0</td>
<td>95.3</td>
</tr>
<tr>
<td>Eximbank of Russia</td>
<td>85.7</td>
<td>70.0</td>
</tr>
<tr>
<td>Sviaz-Bank</td>
<td>36.4</td>
<td>44.7</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>7.0</td>
<td>8.5</td>
</tr>
<tr>
<td>EXIAR</td>
<td>13.6</td>
<td>2.8</td>
</tr>
<tr>
<td>VEB Capital</td>
<td>55.9</td>
<td>22.9</td>
</tr>
<tr>
<td>RDIF</td>
<td>91.6</td>
<td>87.5</td>
</tr>
</tbody>
</table>

* Since Federal Law No. 115-FZ “On Anti-Money Laundering and Counter Terrorist Financing” dated 7 August 2011 does not apply to VEB Engineering, NCDC, The Far East and Baikal Region Development Fund, and VEB Innovations Fund, the Table does not show the share of employees of these entities trained and briefed on AML/CTF. These entities and FCPF did not run any training courses on anti corruption policies and procedures in 2013.
## Appendix 3

### Occupational injury, occupational disease, lost day and workplace absence rates in 2013 by gender

<table>
<thead>
<tr>
<th>Entity</th>
<th>Gender</th>
<th>Total number of days of absence for any disability reasons, save for maternity or childcare leaves</th>
<th>Total number of hours worked (man-hours) in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>BankBelVEB*</td>
<td>-</td>
<td>15,323</td>
<td>3,725,400</td>
</tr>
<tr>
<td>Prominvestbank</td>
<td>M</td>
<td>5,791</td>
<td>2,384,322</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>15,678</td>
<td>3,889,985</td>
</tr>
<tr>
<td>GLOBEXBANK*</td>
<td>-</td>
<td>9,386</td>
<td>3,496,299</td>
</tr>
<tr>
<td>SME Bank</td>
<td>M</td>
<td>1,027</td>
<td>220,651</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>1,865</td>
<td>409,780</td>
</tr>
<tr>
<td>Eximbank of Russia</td>
<td>M</td>
<td>300</td>
<td>95,329</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>1,046</td>
<td>155,735</td>
</tr>
<tr>
<td>Sviaz-Bank</td>
<td>M</td>
<td>4,141</td>
<td>1,953,081</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>16,078</td>
<td>4,339,523</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>M</td>
<td>1,477</td>
<td>1,267,341</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>3,466</td>
<td>1,293,766</td>
</tr>
<tr>
<td>EXIAR</td>
<td>M</td>
<td>187</td>
<td>95,108</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>153</td>
<td>65,236</td>
</tr>
<tr>
<td>VEB Capital</td>
<td>M</td>
<td>89</td>
<td>75,140</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>97</td>
<td>54,555</td>
</tr>
<tr>
<td>VEB Engineering</td>
<td>M</td>
<td>22</td>
<td>39,232</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>13</td>
<td>28,872</td>
</tr>
<tr>
<td>FCPF</td>
<td>M</td>
<td>88</td>
<td>21,541</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>142</td>
<td>35,104</td>
</tr>
<tr>
<td>RDIF</td>
<td>M</td>
<td>0</td>
<td>125,239</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>8</td>
<td>90,496</td>
</tr>
<tr>
<td>NCDC</td>
<td>M</td>
<td>30</td>
<td>59,357</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>0</td>
<td>46,637</td>
</tr>
<tr>
<td>The Far East and Baikal Region Development Fund</td>
<td>M</td>
<td>7</td>
<td>48,842</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>40</td>
<td>18,728</td>
</tr>
<tr>
<td>VEB Innovations Fund</td>
<td>M</td>
<td>0</td>
<td>69,160</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>0</td>
<td>39,520</td>
</tr>
</tbody>
</table>

* No accounting by gender is run.
<table>
<thead>
<tr>
<th>Bank/Entity</th>
<th>Total number of days worked (man-days) in 2013</th>
<th>Occupational injury rate</th>
<th>Occupational disease rate</th>
<th>Lost day rate</th>
<th>Workplace absence rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank BelVEB*</td>
<td>465,675</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,580.98</td>
</tr>
<tr>
<td>Prominvestbank M</td>
<td>298,040</td>
<td>0.08</td>
<td>0</td>
<td>6.21</td>
<td>3,886.06</td>
</tr>
<tr>
<td>F</td>
<td>15,323</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,448.56</td>
</tr>
<tr>
<td>GLOBEXBANK*</td>
<td>437,037</td>
<td>0.06</td>
<td>0</td>
<td>1.72</td>
<td>4,295.28</td>
</tr>
<tr>
<td>SME Bank M</td>
<td>27,581</td>
<td>0</td>
<td>0</td>
<td>7,447.05</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>51,223</td>
<td>0</td>
<td>0</td>
<td>7,281.94</td>
<td></td>
</tr>
<tr>
<td>Eximbank of Russia M</td>
<td>11,916</td>
<td>0</td>
<td>0</td>
<td>5,035.19</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>19,467</td>
<td>0</td>
<td>0</td>
<td>10,746.46</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>242,570</td>
<td>0</td>
<td>0</td>
<td>3,414.27</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>537,215</td>
<td>0</td>
<td>0</td>
<td>5,985.69</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>159,158</td>
<td>0</td>
<td>0</td>
<td>1,856.02</td>
<td></td>
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<tr>
<td>F</td>
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<td>988</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
## Total headcount and personnel turnover rate in 2013, by age group and gender

<table>
<thead>
<tr>
<th></th>
<th>Entity’s total headcount as of 31 December 2013</th>
<th>Total number of employees recruited by the entity in 2013</th>
<th>Total number of employees dismissed by the entity in 2013</th>
<th>Personnel turnover rate in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vnesh-econom-bank</td>
<td>Other entities of the Group</td>
<td>Total</td>
<td>Vnesh-econom-bank</td>
</tr>
<tr>
<td>Total, including</td>
<td>2,235</td>
<td>14,572</td>
<td>16,807</td>
<td>340</td>
</tr>
<tr>
<td>Men</td>
<td>1,044</td>
<td>4,811</td>
<td>5,855</td>
<td>168</td>
</tr>
<tr>
<td>below 30</td>
<td>239</td>
<td>1,483</td>
<td>1,722</td>
<td>100</td>
</tr>
<tr>
<td>31 – 50</td>
<td>510</td>
<td>2,418</td>
<td>2,928</td>
<td>58</td>
</tr>
<tr>
<td>from 51 inclusive</td>
<td>295</td>
<td>910</td>
<td>1,205</td>
<td>10</td>
</tr>
<tr>
<td>Women</td>
<td>1,191</td>
<td>9,761</td>
<td>10,952</td>
<td>172</td>
</tr>
<tr>
<td>below 30</td>
<td>278</td>
<td>3,874</td>
<td>4,152</td>
<td>93</td>
</tr>
<tr>
<td>31 – 50</td>
<td>696</td>
<td>4,824</td>
<td>5,520</td>
<td>76</td>
</tr>
<tr>
<td>from 51 inclusive</td>
<td>217</td>
<td>1,063</td>
<td>1,280</td>
<td>3</td>
</tr>
</tbody>
</table>
## Appendix 5

Share of employees subject to periodical performance and career development appraisals in 2013, by gender

<table>
<thead>
<tr>
<th>Entity</th>
<th>Number of employees appraised on official performance and career development</th>
<th>Total headcount in the entity</th>
<th>Share of employees appraised on official performance and career development, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>Vnesheconombank</td>
<td>666</td>
<td>919</td>
<td>1,044</td>
</tr>
<tr>
<td>Bank BelVEB</td>
<td>0</td>
<td>0</td>
<td>707</td>
</tr>
<tr>
<td>Prominvestbank</td>
<td>978</td>
<td>1,617</td>
<td>1,137</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>0</td>
<td>0</td>
<td>635</td>
</tr>
<tr>
<td>SME Bank</td>
<td>0</td>
<td>0</td>
<td>175</td>
</tr>
<tr>
<td>Eximbank of Russia</td>
<td>0</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>Sviaz-Bank</td>
<td>0</td>
<td>0</td>
<td>1,085</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>0</td>
<td>0</td>
<td>740</td>
</tr>
<tr>
<td>EXIAR</td>
<td>50</td>
<td>41</td>
<td>52</td>
</tr>
<tr>
<td>VEB Capital</td>
<td>4</td>
<td>3</td>
<td>39</td>
</tr>
<tr>
<td>VEB Engineering</td>
<td>0</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>FCPF</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>NCDC</td>
<td>30</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>The Far East and Baikal Region Development Fund</td>
<td>0</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>RDIF</td>
<td>49</td>
<td>53</td>
<td>74</td>
</tr>
<tr>
<td>VEB Innovations Fund</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Total for Vnesheconombank Group</td>
<td>1,777</td>
<td>2,657</td>
<td>5,854</td>
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### Appendix 6

**Average number of training hours per employee in 2013, by employee gender and category**

<table>
<thead>
<tr>
<th>Entity</th>
<th>Employee category</th>
<th>Total number of training hours per employee category (academic hours)</th>
<th>Total number of the employee category as of 31 December 2013 (persons)</th>
<th>Average number of training hours per employee of the category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>Vnesheconombank</td>
<td>Executives</td>
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<td></td>
<td>Specialists</td>
<td>11,077</td>
<td>12,195</td>
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<td></td>
<td>Other employees (technical staff)</td>
<td>0</td>
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<tr>
<td>Bank BelVEB</td>
<td>Executives</td>
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<td>494</td>
<td>314</td>
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<tr>
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<td>Specialists</td>
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<td></td>
<td>Other employees (technical staff)</td>
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<td>97</td>
<td>300</td>
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<td>Executives</td>
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<td>14,498</td>
<td>314</td>
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<td>Specialists</td>
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<td>Other employees (technical staff)</td>
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<td>Executives</td>
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<td>Specialists</td>
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<td>495</td>
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<td>Executives</td>
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<tr>
<td></td>
<td>Specialists</td>
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<td>8</td>
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<tr>
<td></td>
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<tr>
<td>Entity</td>
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<td>Total number of training hours per employee category (academic hours)</td>
<td>Total number of the employee category as of 31 December 2013 (persons)</td>
<td>Average number of training hours per employee of the category</td>
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<tr>
<td></td>
<td></td>
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<td>Women</td>
<td>Men</td>
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<td>Specialists</td>
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<td>Other employees (technical staff)</td>
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<tr>
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<tr>
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<td></td>
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<td>Total number of the employee category as of 31 December 2013 (persons)</td>
<td>Average number of training hours per employee of the category</td>
</tr>
<tr>
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<td>---------------------------------------------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>The Far East and Baikal Region Development Fund</td>
<td>Executives</td>
<td>280</td>
<td>72</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Specialists</td>
<td>104</td>
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<td></td>
<td>Other employees (technical staff)</td>
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<td>3</td>
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<tr>
<td>RDIF</td>
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<td>14</td>
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<td></td>
<td>Specialists</td>
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<td>2</td>
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<td>Specialists</td>
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<td>Other employees (technical staff)</td>
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</table>
Appendix 7

Statistics of customer inquiries in 2013

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<tr>
<th>Entity</th>
<th>Number of inquiries</th>
<th>Number of complaints</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individuals</strong></td>
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<td></td>
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<tr>
<td>Bank BeIWEB</td>
<td>440</td>
<td>142</td>
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<td>Prominvestbank</td>
<td>852,921</td>
<td>5,021</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>231</td>
<td>199</td>
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<tr>
<td>Sviaz-Bank</td>
<td>634,408</td>
<td>3,969</td>
</tr>
<tr>
<td>NCDC</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td><strong>Corporate and self-employed businessmen</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank BeIWEB</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>GLOBEXBANK</td>
<td>24</td>
<td>13</td>
</tr>
<tr>
<td>VEB-Leasing</td>
<td>3,507</td>
<td>18</td>
</tr>
<tr>
<td>NCDC</td>
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</tr>
<tr>
<td>FCPF</td>
<td>70</td>
<td>0</td>
</tr>
</tbody>
</table>

Appendix 8

Contact Information

State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)"
Prospect Akademika Sakharova, 9
Moscow, GSP-6, Russia, 107996
Tel.: +7 (495) 721 18 63
Fax: +7 (495) 721 92 91

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

We will appreciate your opinion!

www.veb.ru
Appendix 9

INDEPENDENT ASSURANCE REPORT FOR
VNESHECONOMBANK GROUP SUSTAINABILITY REPORT 2013

To the attention of the management of State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”: We have performed assurance procedures to provide independent assurance on the below-mentioned aspects of the Vnesheconombank Group Sustainability Report 2013.

Subject Matter
Qualitative and quantitative data disclosed in the Vnesheconombank Group Sustainability Report 2013 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 2013 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)”; • “Sustainability Reporting Guidelines G3.1” ("Guidelines GRI G3.1"), and Financial Services Sector Supplement published by the GRI.

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:


ZAO PricewaterhouseCoopers Audit, 10 Butyrysky Val, Moscow, Russian Federation, 125047
T: +7 495 967 6000, F: +7 495 967 6001, www.pwc.ru
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 2013 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.

Review of the Vnesheconombank Group Sustainability Report 2013: Reviewing the content of the Vnesheconombank Group Sustainability Report 2013 against the criteria of the Guidelines GRI G3.1 Application level and GRI Financial Services Sector Supplement requirements.

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 2013 (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 2013 does not meet the requirements of the Guidelines GRI G3.1 Application Level of "B-".

Moscow, Russian Federation
29 August 2014
Appendix 10

CERTIFICATE

of Public Endorsement
of a Corporate Non-Financial Report

VNESHECONOMBANK GROUP
SUSTAINABILITY REPORT 2013

has received public endorsement
by the RSPP Council on Non-Financial Reporting

A detailed opinion of the RSPP Council regarding public endorsement of the VNESHECONOMBANK Group Sustainability Report 2013 has been sent to the Company, which may publish it without amendment and use it both for corporate purposes and for the purposes of stakeholder engagement.

Registration number 062.01.032.10.13

RSPP President

A. Shokhin

Moscow, 2014
State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"

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