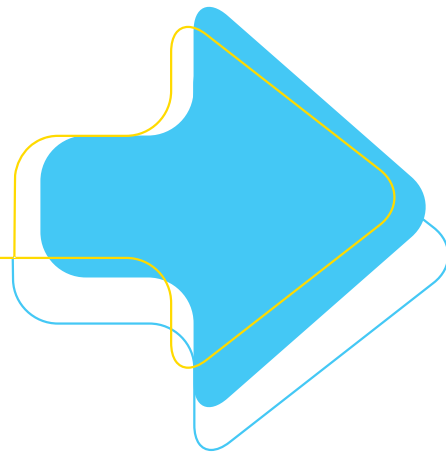
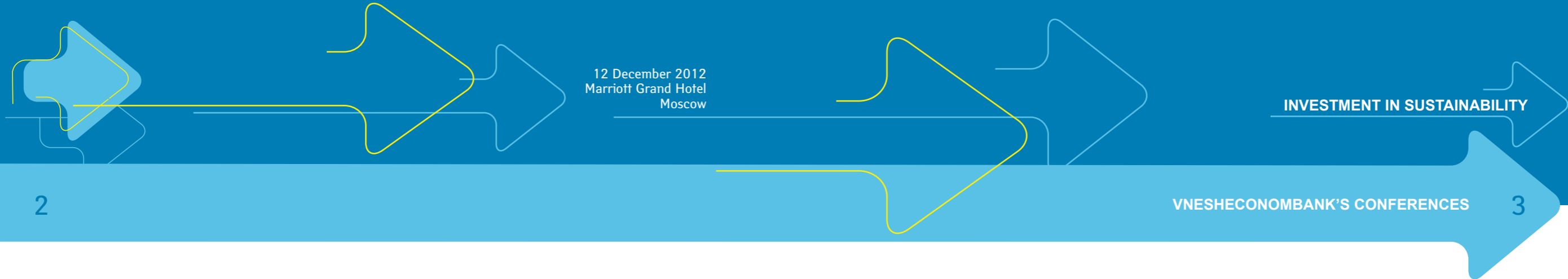


INVESTMENT IN SUSTAINABILITY

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INVESTMENT IN SUSTAINABILITY.
VNESHECONOMBANK'S CONFERENCES





Vnesheconombank's annual conferences, generally known as Investment in Sustainability, have long become traditional. The conferences are invariably noted for a strong interest they attract from those concerned with the responsibility of the business, authorities and community for sustainable social, economic and environmental development of Russia and the world in general, and from those eager to build up and share their experience.

The Investment in Sustainability conferences are designed to promote corporate responsibility, raise motivation level and upgrade respective competencies, as well as facilitate a constructive dialogue between participants in the sustainability transition process. Ultimately, by such events Vnesheconombank helps enhance the quality of the business environment both in Russia and globally.

Every year, the Conference unites over 200 CEOs and specialists from commercial companies, development institutions, civil society organizations (CSOs), and representatives from public authorities, academic and professional communities. Furthermore, leading Russian and foreign experts are invited to join in discussion of various topical issues.

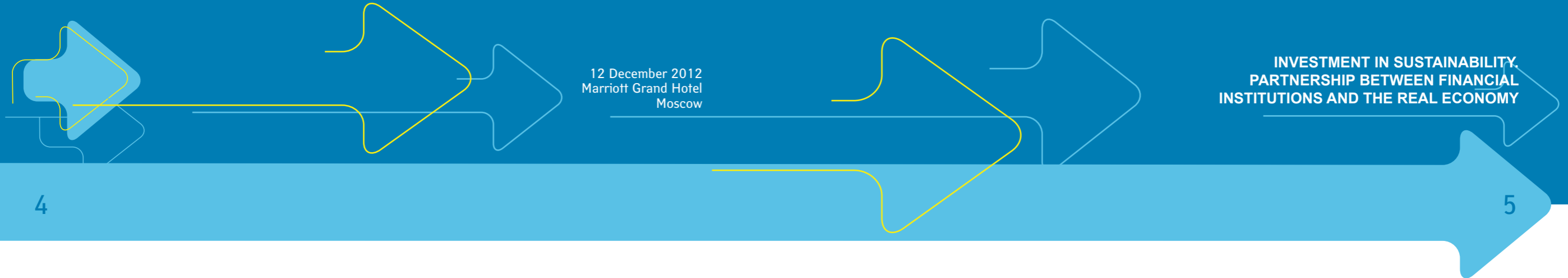
The detailed information on the 2010 and 2011 Conferences is to be found at Vnesheconombank's website:

- 1st International Conference Investment in Sustainability. The Role of Financial Sector. 2011
(http://www.vneb.ru/about/kso/kso_act/index.php?id_19=28612);
- 2nd International Conference Investment in Sustainability. The Role of State Corporation and Companies with State Participation. 2012
(http://www.vneb.ru/about/kso/kso_act/index.php?id_19=7116).

"In my opinion, the Conference is an equally important event for both the financial sector and the real economy of Russia. Of particular value is the fact that the Conference, having become an intellectual platform for experience exchange, gives various participants in the investment process a chance to discuss the most urgent aspects of their social responsibility, learn about new international trends and seek an expert opinion."

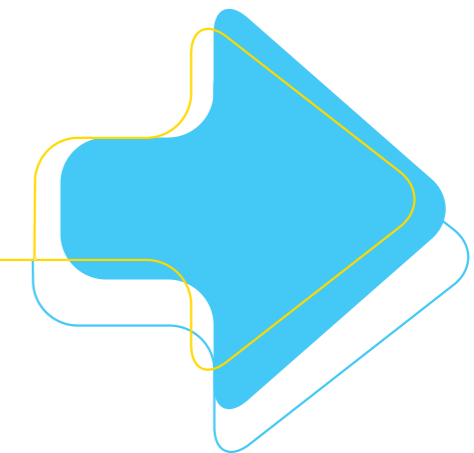
Mr. Mikhail Kopeikin
Member of the Board – Deputy Chairman of Vnesheconombank





THE 3RD INTERNATIONAL CONFERENCE:
INVESTMENT IN SUSTAINABILITY.
PARTNERSHIP BETWEEN FINANCIAL
INSTITUTIONS AND THE REAL ECONOMY

RELEVANCE OF THE THEME



In the last years, the world economy revealed its inability to rise to the global challenges. Global risk management systems, which proved to be quite efficient in the 20th century, fail to cope with escalating economic, social and environmental risks of the 21st century. The major of such risks include a dramatically increasing gap in income between different social groups, chronic budget imbalance, corruption, growth constraints associated with the deficit of water, food and energy resources, an increase in greenhouse gas emissions, a threat of industrial and natural disasters, as well as massive social and geopolitical conflicts.

As Klaus Schwab, Founder and Executive Chairman of the Davos World Economic Forum, put it in January 2013, in order to counteract modern risks "...we have to adapt to the changing conditions, resist and survive sudden shocks while still pursuing crucially important development goals"¹. Such adaptation includes, among other things, devising new monitoring systems and eliminating global risks so that to prevent them from turning into major crises. One of the factors contributing to the reduction in a number of most serious risks is, in particular, the adoption by companies of the corporate social responsibility (CSR) principles. Remarkably, the significance of CSR as a new competitive advantage and a guarantee for sustainable development of companies was also stressed by participants at the last World Economic Forum².

Among the pillars of financial institutions' social responsibility are the principles of responsible finance, which implies accounting for non-financial risks related to investment projects and customers, as well as devising appropriate mechanisms to manage such risks. In the past years, these principles have become an integral part of the financial institutions' business practice in mature economies and are becoming increasingly popular in emerging markets, including the BRICS countries. Every year shows an increase in the number of financial institutions joining international voluntary initiatives on responsible finance, such as the Equator Principles, the UN Principles of Responsible Investment, to name a few, and in the amount of the funds invested. However, none of the Russian financial institutions have undertaken a commitment to comply with such principles so far.

Yet, it is exactly in Russia with its high risk level where the responsible finance acquires special significance. The benefits Russian financial institutions would derive from keeping to the responsible finance principles are obvious and include improved financial viability, a lower possibility of bankruptcy or financial losses, an enhanced corporate image and lower reputa-

tional risks, as well as increased attractiveness of companies and financial institutions to potential employees, partners and customers due to a stronger market position.

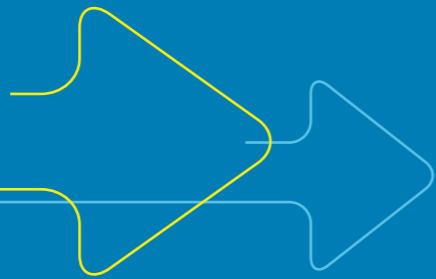
Currently, Russian financial institutions are in a difficult situation: often enough, the assumption by a bank of voluntary obligations to adhere to the responsible finance principles substantially limits its opportunities for business development. However, if Russian financial institutions aim at the integration into the global investment community, their immediate goal should be to strike the right balance between the sustainable development principles and higher profits.

"Today, we observe the situation when the world confronted with enormous economic and social challenges faces a hard choice of the path to further development. Russia, too, seeks to find its own way and respond to the dictates of time. One of the requirements laid down by the global economic community is dissemination of the socially responsible investment practice. Primarily, it implies partnership between financial institutions and real economy companies in compliance with certain patterns and principles. Our goal is to identify the ways to create such partnership."

Ms. Topoleva-Soldunova,
Director, Agency for Social Information

¹ <http://www.interfax.ru/business/txt.asp?id=286484>.

² <http://www.kommersant.ru/doc/1859167>.



12 December 2012
Marriott Grand Hotel
Moscow

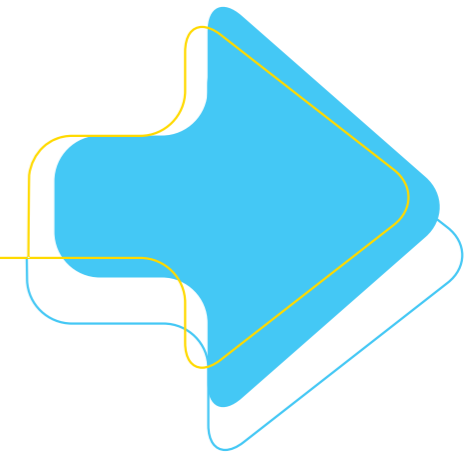


INVESTMENT IN SUSTAINABILITY.
PARTNERSHIP BETWEEN FINANCIAL
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SPEAKERS AND MODERATORS



Heads of leading national and international development institutions, non-commercial organisations and companies exchanged views on the prospects of further developing CSR concept and introducing responsible finance practice in Russia and throughout the world.

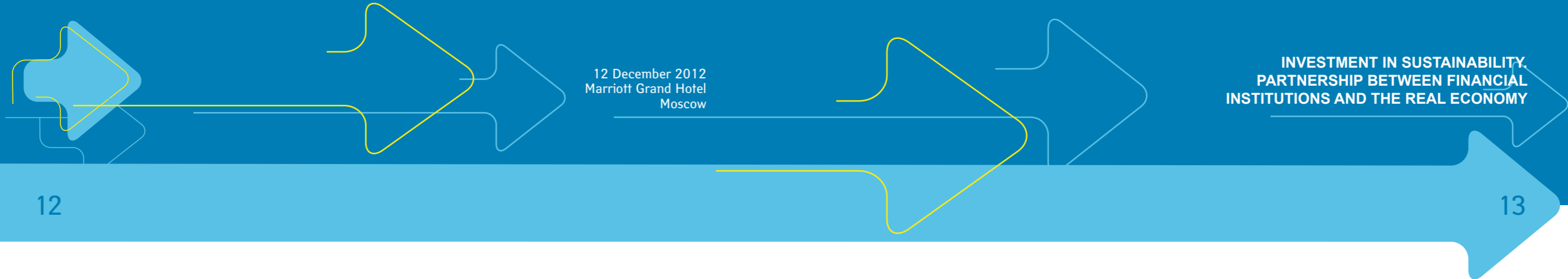
Experts from major banks shared their experience as to how they apply the responsible finance principles to their day-to-day operations and investment projects.

Representatives from reputed Russian companies from the real economy sector, as well as independent advisors took part in the presentation of investment projects illustrating interaction between the real economy and financial institutions based on the principles of social and environmental responsibility.

List of speakers and moderators

Mr. Mikhail Kopeikin	Member of the Board – Deputy Chairman, Vnesheconombank
Mr. Achim Steiner	Executive Director, UNEP (video message) Former Chairman, UNEP FI
Mr. Robert Tacon	Managing Director and Founder, Boundes Sustainability Ltd (BSL)
Mr. Evgeny Gavrilencov	Director, Principal Economist, Sberbank CIB Member of Vnesheconombank's Expert Council
Mr. Vladimir Zakharov	Director, Institute for Sustainable Development, Civic Chamber of the Russian Federation
Mr. Evgeny Shvarts	Director of Conservation Policy, WWF Russia
Ms. Sabina Timco	Coordinator of the European, Task Force, United Nations Environment Programme Finance Initiative
Mr. Renaud Tahon	Head of Environment and Sustainable Development, Societe Generale CIB
Mr. Igor Volkov	Director of Department for Development and Coordination of Investment Activities, Vnesheconombank
Ms. Wang Yuan	Senior Advisor, China Development Bank
Ms. Galina Ermakova	Environmental and Social Development Specialist, International Finance Corporation

Ms. Karen Wendt	Director, Director, Head of Equator Principles Team, UniCreditS.p.A.
Ms. Elvira Garifulina	Head of Government Relations and Corporate Social Responsibility, OJSC OTP Bank
Mr. Alexey Kostin	Executive Director, NGO 'CSR-Russian Centre'
Mr. Ivan Chernyakhovsky	Deputy External Affairs Manager, Relations, Sakhalin Energy Communications Director, Synovate Comcon
Ms. Liudmila Novichenkova	
Mr. Alexandre Martynov	Director, Interfax ERA eco-energy rating agency
Ms. Elena Kiseleva	Head of Ecology Projects Department, VEB Engineering
Mr. Sergey Bourtsev	Managing Partner, ERM Eurasia
Ms. Ksenya Leschinskaya	Partner, Climate Change and Sustainability Services Leader in the CIS, Ernst and Young
Ms. Lyudmila Kostikova	Counsellor to CEO in an issue of Non-Financial Risk Management, RosEvroBank
Ms. Svetlana Epikhina	Head of HR Department, INTER RAO UES
Ms. Elena Koritchenko	Head of Directorate for Environmental and Social Compliance Control, Bank Otkritie JSC
Mr. Dmitry Puzanov	Deputy General Director, OJSC Evraziyskiy
Mr. Alexandre Gorelik	Director, United Nations Information Center in Moscow
Ms. Elena Feoktistova	Director, Center for Corporate Social Responsibility and Non-Financial Reporting at the Russian Union of Industrialists and Entrepreneurs
Mr. Yury Gusev	Director, Goodwill Governance Analytical Centre
Mr. Alexey Akulov	Principal Consultant, Manager of Financial Deals Monitoring/Accompanying, ERM Eurasia
Ms. Elena Topoleva-Soldunova	Director, Agency for Social Information



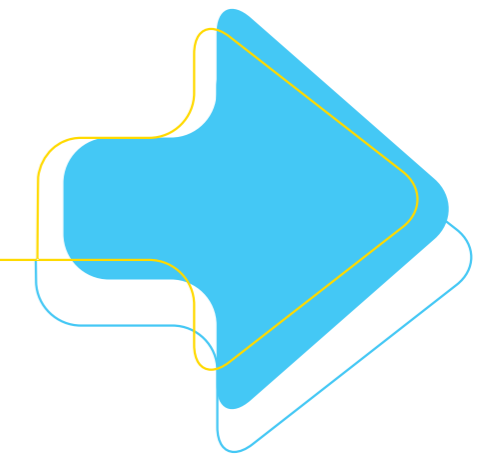
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INVESTMENT IN SUSTAINABILITY.
PARTNERSHIP BETWEEN FINANCIAL
INSTITUTIONS AND THE REAL ECONOMY

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AGENDA



1. ENSURING SUSTAINABILITY THROUGH INTERACTION BETWEEN FINANCIAL INSTITUTIONS AND THE REAL ECONOMY: RUSSIAN AND FOREIGN APPROACHES

The 2008–2009 financial crisis revealed in the financial institutions' activities all over the world a number of pitfalls. These include top managers' unreasonably big bonuses, imprudent assumption of financial risks and environmental negligence, to name a few. Such business practice resulted in banks running new serious risks, both administrative and reputational.

Consequently, the issue of having an adequate risk assessment and management system in place, in particular, at the corporate level, has acquired for financial institutions a new urgency. Some banks are tackling this issue quite on their own, by introducing generally accepted practices and joining international initiatives. However, many financial institutions need state and regulatory pressure to introduce certain changes.

Indeed, a clear and consistent approach of banks to the CSR principles contributes to good business practices. It stimulates real economy companies to pay more attention to efficient risk management, as well as to social and environmental impacts of their activities. For banks, such an approach obviously opens new vistas. It can be exemplified by an increasing role the financial sector universally plays in promoting the green economy, which is a new promising business line for banks.

In Russia, companies and financial institutions seeking to adopt sustainability principles, which include responsible finance as one of the major elements, face such impediments as inefficient macroeconomic policy, high inflation rates, lack of fair competition and widespread corruption. Equally important are insufficient maturity of the civil society and lack of a well-articulated public demand for corporate responsibility.

Conference participants also stressed an important role of regulators in developing environmental and social consciousness of the public and urged imposition of respective requirements on the Russian financial institutions.

"We live in the times of transition and the question will be which countries and sectors are most able to make transition work effectively to its own investors, its shareholders, employees but also outmark its place in the market."

Achim Steiner, Executive Director, UNEP

"It is essential that the Russian regulators (Central Bank, Ministry of Finance, Ministry of Economic Development, Federal Financial Market Service, and Joint Moscow Stock Exchange) start to apply to national financial institutions requirements and standards relating to environmental and social responsibility, as well as green finance."

Evgeny Shvarts, Director of Conservation Policy, WWF Russia

"Banks need to understand what the credit risks are and that those credit risks are changing now. I am a strong believer that environmental, social risks, etc. should be built in normal risk assessment processes."

Robert Tacon, Former Chairman, UNEP FI
Managing Director and Founder, Boundes Sustainability Ltd (BSL)

"Sustainability may be financially beneficial, but investors and stakeholders should understand that such investments are the long-term ones. Incorporating sustainability into the business planning requires a strategic vision since immediate benefits are not always obvious."

Synovate Comcon. Reputation Council. September, 2012.

REPORTS

Welcome remarks

Mr. Achim Steiner,
Executive Director, UNEPDoes Sustainability Matter
to Financial Institutions?**Mr. Robert Tacon,**
Former Chairman, UNEP FI
Managing Director and Founder, Boundes
Sustainability Ltd.Responsible Macroeconomic Policy
and Sustainable Development**Mr. Evgeny Gavrilentov,**
Director, Principal Economist, Sberbank CIB
Member of Vnesheconombank's Expert CouncilGreen Economy and the Civil
Society**Mr. Vladimir Zakharov,**
Director, Institute for Sustainable Development,
Civic Chamber of the Russian FederationInvestment in Sustainable
Development: Increasing
Environmental Responsibility and
Minimizing Environmental Risks
by Financial Institutions in Russia**Mr. Evgeny Shvarts,**
Director of Conservation Policy, WWF RussiaSustainability and Business
Reputation: Win-Win Strategy**Ms. Liudmila Novichenkova,**
Communications Director, Synovate Comcon**2. RESPONSIBLE FINANCE FOR THE REAL ECONOMY:
SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT
DURING INVESTMENT DECISION MAKING PROCESS
AND INVESTMENT PROJECTS DELIVERY**

Responsible finance is beneficial for banks since it helps decrease financial and non-financial risks inherent in their operational activities. However, despite the Russian banks demonstrating over the last 3 years an increasing interest in any information about responsible finance, only few institutions are ready to implement such practice. Primarily, it is attributable to a lack of the respective regulatory framework and knowledge, as well as to a fear of putting oneself in an unfavorable position as compared to those banks that do not apply any principles of social and environmental responsibility.

Measures designed to more actively promote the responsible finance principles among Russian banks could include the following:

- Dissemination of good international and Russian experience of responsible finance among stakeholder banks using case studies to illustrate the benefits of such principles;
- Training for managers at all levels in responsible finance;
- Engaging professional advisors to assist specialists at financial institutions in the application of the responsible finance principles.

For successful introduction of the responsible finance principles into a bank's operation, of special importance is the management's commitment and belief in the urgency of such principles, as well as incorporation of non-financial risks into the bank's overall risk management system. Furthermore, one cannot underestimate the influence of regulators who should encourage and promote social and environmental responsibility of financial institutions.

"A research conducted by IFC in 6 countries revealed a number of actors hindering environmental and social risk management in the banking sector. Such factors include a lack of effective market incentives, instruments/mechanisms for banking regulation, inadequate technical facilities available on the market and at the financial institutions' disposal, as well as the absence of historical experience of sustainability gained by banks in the region."

Galina Ermakova, Environmental and Social Development Specialist, IFC

"First of all, the government should have a policy, not only central government but the local government. It is their own interest to make economic social development more sustainable. But the FI should have a role to play in the process. But at the same time as a FI you should have a strong sense of social responsibility as well. You are not doing business for your own profitability only but you need to have a sufficient profitability to keep the business going as well. So that's why it is related to financial innovation. You have to create the business model to make it sustainable at the same time to have a risk management in place."

Wang Yuan, Senior Advisor, China Development Bank

"Managing environmental and social risks is not only about company reputation and certainly not charity. Recognizing that these risks can be material and engaging with stakeholders on the topic is about company culture and vision. It is the sound way of doing business"

Sabina Timco, Coordinator for Europe, UNEP FI

REPORTS

Factoring in Environmental and Social Risks: the 'New Normal' in Loan Decision Making.

Ms. Sabina Timco, Coordinator of the European, Task Force, United Nations Environment Programme Finance Initiative

The Environmental and Social Risks Management System: Drivers, Processes, Actors.

Mr. Renaud Tahon, Head of Environment and Sustainable Development, Societe Generale CIB

Responsible Finance at Vnesheconombank.

Mr. Igor Volkov, Director of Department for Development and Coordination of Investment Activities, Vnesheconombank

The Role of Development Financial Institutions in Social and Economic Development.

Ms. Wang Yuan, Senior Advisor, China Development Bank

Environmental and Social Risk Management: Practice of Cooperation with Public Authorities, Consultancies and Financial Institutions.

Ms. Galina Ermakova, Environmental and Social Development Specialist, International Finance Corporation

Applying the Principles of Corporate Social Responsibility to Project Finance: the Experience of Russian and Foreign Banks.

Ms. Karen Wendt, Director, Director, Head of Equator Principles Team, UniCreditS.p.A.

Investment in Sustainable Development: Increasing Environmental Responsibility and Minimizing Environmental Risks by Financial Institutions in Russia.

Mr. Evgeny Shvarts, Director of Conservation Policy, WWF Russia

3. ATTRACTING INVESTMENT IN THE REAL ECONOMY THROUGH INVESTMENT PROJECTS DELIVERY BASED ON THE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY PRINCIPLES

In the past years, real economy companies have encountered a number of serious economic, environmental and social problems, which is indicative of demand for new, more efficient risk management systems. Socially and environmentally responsible practices are an important component of such systems. However, introduction of these practices is being hindered by a lack of the respective knowledge, experience and incentives.

At the same time, an increasing number of Russian companies seek to comply with the international investment requirements. Typically, such requirements include the principles of social and environmental responsibility. Among major steps required to adopt this practice, a company should:

- Make risk management a part of its corporate management system from the top downward, i.e. from the board of directors to every employee;
- Ensure that the risk management system not only comprises the economic risks but also covers risks inherent in the economic environment, as well as ecological and social impacts on such economic environment;
- Establish a corporate environmental and social management system to ensure continuous assessment of environmental and social impacts produced by the company's operations;
- Use a wider range of instruments to assess and minimize environmental and social risks at every level of the project life cycle;
- Introduce a stakeholder interaction system as a part of environmental and social management;
- Mandatorily introduce innovative, power saving and environmentally sound technologies into the company's operations;

- Meticulously comply with the environmental legislation of the Russian Federation;

- Supplement investment project business plans with the Environmental Assessment and Social Impacts sections.

The Conference participants stressed the need for interaction between financial institutions and real economy companies on the issues related to the promotion of the responsible finance practice in this country. By way of example, cooperation may include:

- Joint participation in compiling share indices based on the social and environmental performance indicators;
- Creation of websites to host non-financial reports not only by major companies and financial institutions but also by small and medium businesses.

Furthermore, the Conference participants noted that unlike Russian companies, many foreign ones take, due to a strong competition, a proactive approach when applying the principles of corporate social responsibility and responsible finance to their operations. Federal authorities' appreciation of the importance this issue has for national sustainability, as well as a high development level of the society may also help stimulate a greater interest from the national business to promoting responsible finance.

“First and foremost, there should be the will on the part of the federal authorities and their appreciation of the importance of the issue for the national sustainability. It is not only about the sustainable business, it is also about the sustainability of the system as a whole.”

Sergey Bourtsev, Managing Partner, ERM Euroasia

“In Russia, if your company is socially responsible and its competitors are not, for a while you would find yourself in a less advantageous position. You would not be able to invest all the funds into a new product development since you’ll have to provide your employees with a good social package and bear the costs of the environmental measures.”

Synovate Comcon. Reputation Council. September 2012

“Vnesheconombank views environmental responsibility as one of its investment principles. Consequently, Vnesheconombank never participates in any projects, which fail to fully comply with the environmental legislation or ecological performance standards.”

Elena Kiseleva, Head of Ecology Projects Department, VEB Engineering

“Non-financial risks (political, social, environmental, regulatory, etc.) in Russia are higher than in the majority of the advanced economies. Thus, CSR and non-financial risk management in this country have a more important role to play due to the institutional underdevelopment of the Russian market, as well inadequate legislative and practical protection of property rights and fair competition.”

Alexey Kostin, Executive Director, NGO ‘CSR-Russian Centre’

“It is exactly the management’s faith in the ability of CSR to produce dividends that is a prerequisite for a company’s viability and success. If there is such faith, one can proceed to practical steps.”

Ivan Chernyakhovsky, Deputy External Affairs Manager,
Relations, Sakhalin Energy

REPORTS

Sustainability and Business Reputation:
Win-Win Strategy

Ms. Liudmila Novichenkova,
Communications Director, Synovate
Comcon

Energy and Ecological Efficiency and the
Quality of Life: a Fresh View on Sustainable
Development

Mr. Alexandre Martynov, Director,
Interfax ERA eco-energy rating agency

Principles of Environmental Responsibility
and Recommended Approach to their
Implementation to Attract Responsible
Finance

Ms. Elena Kiseleva, Head of Ecology
Projects Department, VEB Engineering

Social and Environmental Responsibility in
Russia’s Mining Sector: Requirements of
Western Investors/Finance Partners and
Current Status

Mr. Sergey Bourtsev, Managing Partner,
ERM Eurasia

Integration of CSR into the Corporate
Management System.

Mr. Alexey Kostin, Executive Director,
NGO ‘CSR-Russian Centre’

Place of CSR in Corporate Culture; Investors’
Expectations

Mr. Ivan Chernyakhovsky, Deputy
External Affairs Manager, Relations,
Sakhalin Energy

Corporate Social Responsibility: a
Determinant for Business Reputation and
Attraction of Finance

Ms. Elvira Garifulina, Head of
Government Relations and Corporate
Social Responsibility, OJSC OTP Bank

4. APPLICATION OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY PRINCIPLES TO INVESTMENT PROJECTS: PRACTICAL TOOLS

In Russia, the environmental and social responsibility principles are only starting to take roots with respect to project finance and project delivery. In the first place, banks seek to apply these principles to be in compliance with the requirements of international financial institutions. However, the responsible finance practice also helps minimize risks inherent in credit and investment operations.

Normally, the implementation of a social and environmental risk management system at a bank is carried out by the following stages:

- Diagnostics of the existing social and environmental risk management system;
- Devising a plan to upgrade the system;
- Training management team and employees from the respective departments;
- Introducing changes to the loan policies and procedures; adding a respective section to the loan agreement;
- Drafting internal documents for social and environmental risk assessment;
- Internal and external audit of a new risk management system.

In implementing such a system, banks often encounter certain problems: allocation of additional funds, lack of specialized literature, under-appreciation or even antagonism on the part of employees.

However, the biggest challenge faced by a financial institution is striking the right balance between the responsible finance principles and maintaining/increasing its profitability. Application of such principles implies, in particular, rejection of some projects and borrowers (e.g. alcohol and tobacco producers).

Application by a bank of the responsible finance principles to a potential customer's credit request generally suggests identification of risks. This includes project categorization, assessment of the project social and environmental impacts, in-depth analysis, as well as devising an action plan to minimize negative and maximize positive impacts. Special emphasis should be placed on a stakeholder opinion survey, public hearings and complaints handling.

Furthermore, the Conference participants also stressed the importance of training functions often assumed by a financial institution with respect to all of its corporate customers including SMEs. By training, a bank encourages its borrowers to implement more efficient non-financial risk management systems.

To attract more investment, real economy companies should, well in advance, study the global practices of responsible finance, adopt corporate ethics codes and make the social and environmental responsibility principles part of their corporate management system. Besides that, one should not underestimate the importance of non-financial reports, which are viewed by potential investors as an important source of information about various aspects of operational activities.

Representatives from real economy companies expressed the opinion that they would rather cooperate with the banks imposing stricter responsible finance requirements, if such banks provide more competitive conditions for socially and environmentally responsible customers.

“Undoubtedly, in devising a CSR system every institution is guided by the specifics and values of its own. However, at the present, early, stage of responsible finance development in the Russian Federation, it is crucial to formulate, adopt and openly declare the principles that would be common for all the institutions ready to embark on this path. Only in this case the initiatives by some financial institutions may clearly signal to other market participants that social and environmental indicators together with the financial and economic ones are significant performance and reliability indicators and ensure a competitive edge in accessing loan funds and development.”

Elena Koritchenko, Head of Directorate for Environmental and Social Compliance Control, Bank Otkritie JSC

“Each investment project is aimed at profit maximization. Any additional requirements imposed by the legislation, a finance institution or project structure are, more often than not, a burden on the project and reduce its commercial effectiveness. Consequently, striking the right balance between a desire to maximize profits and create conditions favourable for the project sustainability, reliability, reputational appeal and commercial viability, is a challenge not everyone would rise to. Specialists at OJSC Evraziyskiy have the unique experience that allows them to find the correct balance.”

Dmitry Puzanov, Deputy General Director, OJSC Evraziyskiy

REPORTS

Approaches to Ecological and Social Risk Management in the Bank's Credit and Investment Practices

Ms. Ksenya Leschinskaya, Partner, Climate Change and Sustainability Services Leader in the CIS, Ernst and Young

Assessing Social and Environmental Risks Inherent in Investment Projects based on Sustainability and Environmental Responsibility Reports. Benefits of CSR for Companies

Ms. Liudmila Kostikova, Counsellor to CEO in an issue of Non-Financial Risk Management, RosEvroBank

Sustainable Finance Implementation at a Commercial Bank

Ms. Svetlana Epikhina, Head of HR Department, INTER RAO UES

Bankable Project: Specifics of Project Procurement in the Water Supply and Sewage Sector

Ms. Elena Koritchenko, Head of Directorate for Environmental and Social Compliance Control, Bank Otkritie JSC

Environmental and Social Screening in Lending Operations: Case Studies

Mr. Dmitry Puzanov, Deputy General Director, OJSC Evraziyskiy

Social and Environmental Risk Assessment, Mitigation Strategies and Amendments to Projects Financed by UniCredit S.P.A.

Mr. Renaud Tahon, Head of Environment and Sustainable Development, Societe Generale CIB

The Approach of the Revised IFC Performance Standards for Financial Institutions

Ms. Karen Wendt, Director, Head of Equator Principles Team, UniCredit S.p.A.

Ms. Galina Ermakova, Environmental and Social Development Specialist, International Finance Corporation



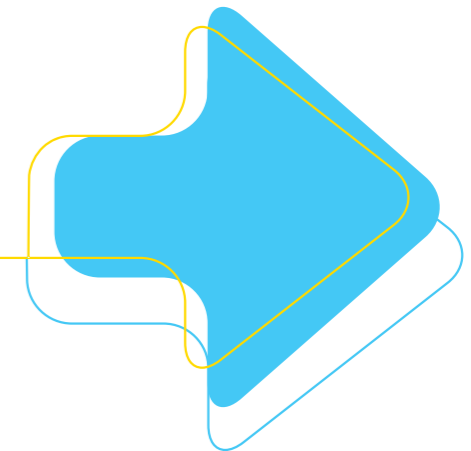
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MEMORANDUM



12 December 2012, Moscow

Summarizing the joint work at the International Conference 'Investment in Sustainability. Partnership between Financial Institutions and the Real Economy', we, the representatives from the financial and real economy sectors, as well as Russian and foreign experts, confirm the increased relevance of responsible finance, which is based on the integration of economic, social and environmental components into business strategies.

We declare that the sustainable development of Russia's economy and the Russian society as a whole is impossible without generally accepted principles of responsible business practice.

In this context, we appeal to Russian financial institutions and real economy companies to apply the responsible finance principles, which at the present development stage, against the backdrop of acute risks and crises, increasing uncertainty and dramatic changes, are ever gaining in urgency.

The Conference has identified the following important factors that impact the responsible finance development globally and, more specifically, in the Russian Federation:

- Increased economic, social and environmental risks faced by the private sector;
- The responsible finance concept asserting itself as a measure to reduce related investment risks;
- Tougher requirements by investors to investees with regard to having an integrated system in place to manage economic, social and environmental risks and opportunities;
- A growing trend towards inclusion of the sustainable development criteria into investment analysis;
- A closer cooperation between investees and investors and other stakeholders as an instrument to identify, assess and monitor non-financial risks and opportunities;
- A wider practice of non-financial and integrated reporting by economic entities;

- New instruments designed to assess how responsible business practice impacts the sustainable development, risk management, investment appeal, weighted average capital cost, return on invested capital, economic profit – economic value added, company value and shareholder value.

With this in mind, the Conference recommends Russia's financial institutions and real economy companies to follow the major lines on development of responsible finance for the period up to 2015³.

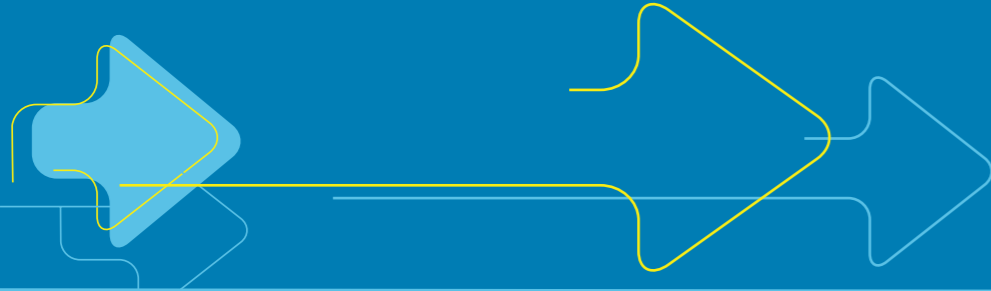
Promoting responsible finance in the Russian real economy sector: recommendations to FIs and real economy companies

- Increase executives and employees' awareness of the responsible finance principles and international practices, as well as of the integrated economic, social and environmental risk management.
- Ensure control over compliance with the CSR principles at the corporate governance level.
- Financial institutions should join global voluntary initiatives for responsible finance (Equator Principles, UNEP FI, Carbon Disclosure Project, etc.).
- Prepare and adopt a set of internal documents to regulate integrated economic, social and environmental risk management within a company. Financial institutions should make the responsible finance criteria an integral part of investment analysis procedures and inform potential investees accordingly, as well adopt sectoral policies of responsible finance.
- Financial institutions should organise interaction with potential borrowers to increase their awareness of the responsible finance principles and assist them in mastering integrated economic, social and environmental risk management.

³ The Memorandum summarizes the proposals made by the Conference participants

- Financial institutions in cooperation with real economy companies should develop a system designed to identify and assess typical risks of economic, social and environmental sustainability and promote Russian real economy companies as potential borrowers.
- Financial institutions should start applying the responsible finance principles to pilot investment projects delivered together with real economy companies, and monitor pilot investment project delivery in terms of the sustainability risks and opportunities.
- Real economy companies should develop and introduce an environmental and social management system that would include environmental and social impact assessment in compliance with the international standards, and a broader use of tools to assess and minimize environmental and social risks inherent in their activities.
- Real economy companies should, when delivering an investment project, engage independent environmental auditors and internal control units to ensure continuous monitoring of identified non-financial risks.
- Financial institutions should, at various stages of investment project delivery, conduct independent environmental audit and monitor compliance with the requirements for natural resources management and environmental protection, as well as for protection of stakeholders' interests and public hearings.
- Financial institutions should organise interaction with bank regulators in order to promote environmental and social risk management systems when delivering investment projects in the real economy sector.
- Financial institutions should organise cooperation with insurance companies that provide insurance for non-financial risks, in order to join efforts to mitigate social and environmental damage.
- Financial institutions should participate in creating stock indices based on social and environmental performance indicators.

- Financial companies in cooperation with real economy companies should participate in setting up a case library, exchanging experience of how responsible finance principles are integrated into investment project practices, and in preparing and publishing guidelines and specialized literature on the responsible finance practice, in particular, for SMEs.
- Procure in-house training in non-financial risk management, application of CSR principles to operational activities, and responsible finance practice.



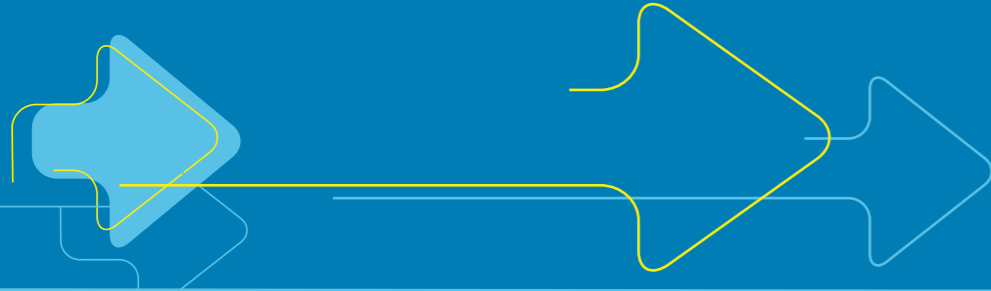
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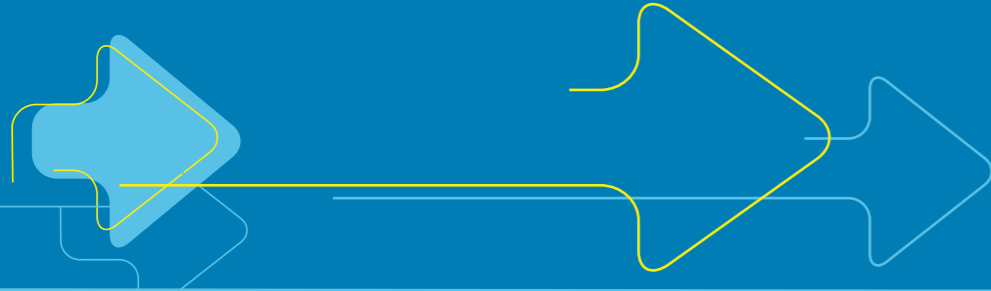
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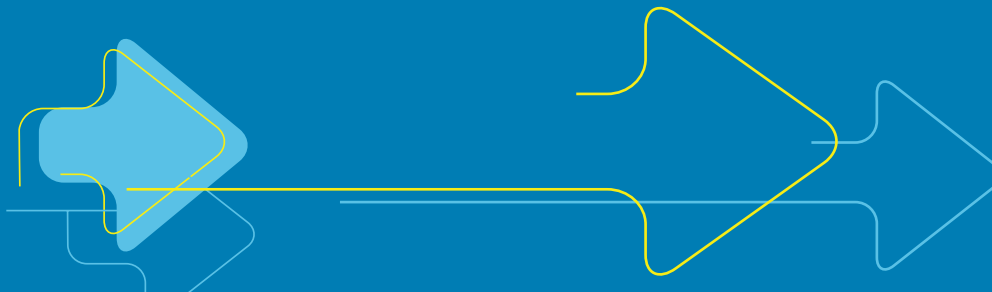
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ПАРТНЕРСТВО ФИНАНСОВЫХ ИНСТИТУТОВ
И РЕАЛЬНОГО СЕКТОРА ЭКОНОМИКИ

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КОНТАКТНАЯ ИНФОРМАЦИЯ

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