



VNESHECONOMBANK

STATE CORPORATION  
«BANK FOR DEVELOPMENT AND FOREIGN  
ECONOMIC AFFAIRS (VNESHECONOMBANK)»

Sustainability Report

2010

Bank for  
Development



## VNESHECONOMBANK

STATE CORPORATION  
«BANK FOR DEVELOPMENT AND FOREIGN  
ECONOMIC AFFAIRS (VNESHECONOMBANK)»

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## Vnesheconombank Chairman's Address



*Dear Colleagues and Partners!*

We kindly present for your attention and consideration Vnesheconombank's Sustainability Report for 2010. Our goal is to inform you of the principles that guide us in our day-to-day activities and the mechanisms that allow us to continuously deliver and maintain sustainable financial results.

This is our second non-financial report that features the enhanced effectiveness of Vnesheconombank's approach to corporate governance, its increased social and ecological awareness in financing investment projects, highlights the steps undertaken by the Bank to deliver a coherent and transparent system of stakeholder engagement in addressing challenges of sustainable development.

Acting as a state financial institution for development, Vnesheconombank is dedicated to serving the national interest. The Bank places an increased focus on meeting the goal of socio-economic development, enhancing the competitive advantage of the economy and securing its resilience and sustainability against adverse external impacts.

The influence wielded by Vnesheconombank is huge. Investment projects with the Bank's participation are delivered in the areas where state engagement is imperative. Vnesheconombank is committed to supporting innovative and infrastructure projects that facilitate economic modernisation and create new jobs.

The Bank's projects have a strong multiplier effect thereby driving forward infrastructure development, innovation, SMEs, high-tech sectors of economy and modernisation of productive facilities. Eventually, the projects will serve to leverage a whole raft of socially important tasks that include an enhanced level and quality of life in the region that hosts the project, increased tax revenues to the budget and an increased number of new jobs and new professions.

Obviously, modernization and construction of advanced productive facilities would not be feasible unless we in-

roduce innovative ecologically friendly and energy efficient technologies. Vnesheconombank's major focus is to deliver projects intended for enhancing efficiency of natural resource utilization, protecting the environment and improving the ecological situation, as well as enhancing energy efficiency.

In 2010, Vnesheconombank's governing bodies approved the Bank's participation in delivery of 28 "green field" projects with the commitment of RUB 240 bn. These are intended, among other things, to provide energy efficiency and energy saving.

We recognize that we are seeking to match our sustainability activities to best practice accepted by the national and international development institutions. Obviously it is impossible to change everything overnight, since every project is a very effort-consuming process in which huge financial and labour resources are involved. But we are aiming to consistently upgrade internal procedures and enhance the quality of corporate governance.

In 2010, we changed the procedure applying to the expertise of investment projects in order to identify their compliance with the requirements for environmental protection and the standards of ecological efficiency. We continued to devise the strategy for social corporate responsibility (CSR), which is to become a fundamental document defining the Bank's priority business lines in sustainable development.

Vnesheconombank recognizes its responsibility towards society and actively participates in formulating state policies, in devising development strategies for sectors of economy that are of pivotal importance for the Bank. In 2010, we participated in drafting the concept of the Federal targeted program "Ecological Safety of Russia (2012-2020)", the Development Strategy of the National Banking Sector until 2015, the Strategy of Innovative Development of the Russian Federation and many other no less important documents.

Special emphasis is placed on creating a professional environment conducive to delivering investment projects and

arranging comprehensive skills enhancement courses for the staff of customer companies. This year saw continuation of the project "Building Capacity in Professional Skills and Competences of Participants in Investment Projects Delivered with the Support of Development Institutions". Vnesheconombank and the Finance University under the RF Government co-established a chair "Public-Private Partnership". Regional training seminars for public and municipal staff were arranged. Practice demonstrates that our initiatives in arranging specialist training for our partners' staff help improve the investment process and are instrumental in mitigating risks associated with project delivery.

After all, our success comes down to professionalism and job dedication of Vnesheconombank's staff, its managers who are capable of meeting complicated and large-scale tasks. We admit we are seeking to increase individual responsibility for delivering common outcomes. The Bank aims to create a professional environment best-suited for training and successful employee performance, as well as favorable for unleashing staff potential.

The system of knowledge management that is currently in place at Vnesheconombank, the in-depth experience gained in delivery of major investment projects underlie and underpin successful resolution of the tasks facing the Bank. Surveys and polls reveal that more than 91% of the business-partners assess the quality of cooperation with the Bank as "good" or "excellent". This is solid proof of quality performance of Vnesheconombank.

In the future, we will remain committed to enhancing our performance efficiency. We will revise and upgrade our investment policies and continue to integrate sustainability principles in our activities. I am fairly confident our dedicated efforts to address ecological and social challenges will generate positive change in society and secure the welfare of the people.

*Chairman  
of Vnesheconombank  
V. Dmitriev*



# 1 VNESHECONOMBANK TODAY

## 1.1

### Vnesheconombank's Governance System

"It is obvious that step-by-step implementation of advanced corporate governance models is among essential conditions for improving domestic investment and business climate and high-quality economic growth in general".

V. V. Putin,  
Chairman of the Government  
of the Russian Federation,  
Chairman of the Supervisory Board  
of Vnesheconombank

#### Legal Regulation of Vnesheconombank's Activities

State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" (hereinafter "Vnesheconombank", the "Bank" or "VEB") was established in May 2007 through reorganization, by way of transforming, of the Bank for Foreign Economic Affairs of the USSR (Vnesheconombank of the USSR).

The Bank's legal status, organizational principles, aims and goals of its establishment and functioning, the procedures for its reorganization and liquidation are set forth by Federal Law No. 82-FZ "On Bank for Development" dated May 17, 2007 (hereinafter the Federal Law "On Bank for Development").

The Bank's core business lines, investment and financial indicators are defined by Memorandum on Financial Policies of State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" approved by Directive of the Government of the Russian Federation No. 1007-r dated July 27, 2007 (hereinafter — the "Memorandum on Financial Policies")<sup>1</sup>.

1. Directive of the RF Government No. 1170-r, dated July 15, 2010, extended the term of the Memorandum on Financial Policies for 3 years.

### Vnesheconombank's Group as of January 1, 2011

Banks	VEB's Equity Investment (%)	Specialized Companies	VEB's Equity Investment (%)
<ul style="list-style-type: none"> <li>■ OJSC RUSSIAN DEVELOPMENT BANK (RDB)</li> </ul>	100	<ul style="list-style-type: none"> <li>■ LLC Vnesheconombank's Investment Company (VEB Capital)</li> </ul>	100
<ul style="list-style-type: none"> <li>■ CJSC ROSEXIMBANK</li> </ul>	100	<ul style="list-style-type: none"> <li>■ OJSC Federal Centre for Project Finance (FCPF)</li> </ul>	100
<ul style="list-style-type: none"> <li>■ OJSC SVYAZ-BANK</li> </ul>	99.47	<ul style="list-style-type: none"> <li>■ OJSC North Caucasus Development Corporation</li> </ul>	100
<ul style="list-style-type: none"> <li>■ CJSC GLOBEXBANK</li> </ul>	99.16	<ul style="list-style-type: none"> <li>■ VEB Engineering LLC</li> </ul>	51
<ul style="list-style-type: none"> <li>■ OJSC Belvnesheconombank (Republic of Belarus)</li> </ul>	97.42	<ul style="list-style-type: none"> <li>■ OJSC VEB-Leasing</li> </ul>	50% + 1 share
<ul style="list-style-type: none"> <li>■ PJSC Prominvestbank (Ukraine)</li> </ul>	93.84		

In accordance with the schedule of action for the transformation and liquidation of state corporations and the Russian Highways State Company, Vnesheconombank is planned to be transformed into a public entity. The draft federal law governing the activities of public entities is expected to be submitted for consideration by the Government of the Russian Federation in Q3 2011 and to the State Duma of the RF Federal Assembly in Q4 2011. The scheduled transformation period is Q4 2012.

### Vnesheconombank's Group

For the purposes of this Report, Vnesheconombank's Group<sup>2</sup> means Vnesheconombank, its subsidiaries and dependent companies in the financial and other sectors of the economy. This definition does not have legal status and does not coincide with the "bank group" definition, since Federal Law No. 395-I dated December 2, 1990, "On Banks and Banking Activities" defines bank group as a non-corporate group of banks in which one (parent) lending institution directly or indirectly (through a third party) affects significantly the decisions adopted by the management bodies of other lending institution(s), whereas Vnesheconombank can not be classified as such group.

2. In 2010, work was initiated to register the Vnesheconombank Group trademark. As of January 1, 2011, the trademark was not registered.

### Vnesheconombank's Organizational Structure

As of January 1, 2011, VEB's organizational structure included 33 independent structural divisions. In 2010, the following units were established within the Bank:

■ Department for Regional Policies designed to encourage socio-economic development of the regions, ensure high growth rates and increase economic competitiveness of the RF constituent entities;

■ Department for Innovations and High Technologies authorized to accomplish the objectives of delivering investment projects aimed at innovative processes and nanotechnologies introduction, as well as investment projects in knowledge-intensive industries;

■ Department for North Caucasus Development established to ensure interaction with OJSC North Caucasus Development Corporation for implementing projects intended for encouraging socio-economic development of the region.

In 2010, the Department for Regional Development was transformed into the Department for Natural Resources designed to arrange financing of investment projects in environmental protection and those aimed at improving the efficiency of renewable and secondary resource management.

## Vnesheconombank's Representative Offices

As of January 1, 2011, the Bank had 13 representative offices, 9 of which were located abroad and 4 – in the Russian Federation.

In 2010, a foreign office was opened in Paris, French Republic.

In 2010, due to intensified cooperation with India's financial institutions, VEB's representative office in Mumbai, a financial center of the Republic of India, restarted to function.

In 2010, for the purposes of developing VEB's regional network in the Russian Federation, the Bank opened representative offices in Yekaterinburg and Pyatigorsk.

## Vnesheconombank's Governing Bodies

In accordance with the Federal Law "On Bank for Development," VEB's governing bodies are the Supervisory Board, the Board and the Chairman.

The Bank's Supervisory Board headed by the Chairman of the RF Government is the most representative Supervisory Board among all Russian state corporations, lending and financial institutions. In 2010, VEB's Supervisory Board did not undergo any changes.

The biographies of the Supervisory Board members are available from the official website of the RF Government at: <http://правительство.рф/gov/>.

The Board is a collegiate executive body. As of January 1, 2011, VEB's Board was composed of the Chairman of

### Vnesheconombank's Representative Offices as of January 1, 2011

#### VEB'S REPRESENTATIVE OFFICES ABROAD

- Paris, French Republic
- Milan, Italian Republic
- Beijing, People's Republic of China
- Delhi, Republic of India
- Mumbai, Republic of India
- London, United Kingdom of Great Britain and Northern Ireland
- New York, United States
- Frankfurt am Main, Federal Republic of Germany
- Johannesburg, Republic of South Africa

#### VEB'S REPRESENTATIVE OFFICES IN THE RUSSIAN FEDERATION

- Khabarovsk
- Yekaterinburg
- Pyatigorsk
- St. Petersburg

Vnesheconombank and 8 members of the Board. The biographies of the Board members are available from VEB's website at: [www.veb.ru](http://www.veb.ru).

The Chairman of the Bank is a member of the Supervisory Board (ex officio) and the sole executive body of Vnesheconombank managing its day-to-day operations. The Chairman is appointed to office by the President of the Russian Federation on the nomination of the Chairman of the RF Government.

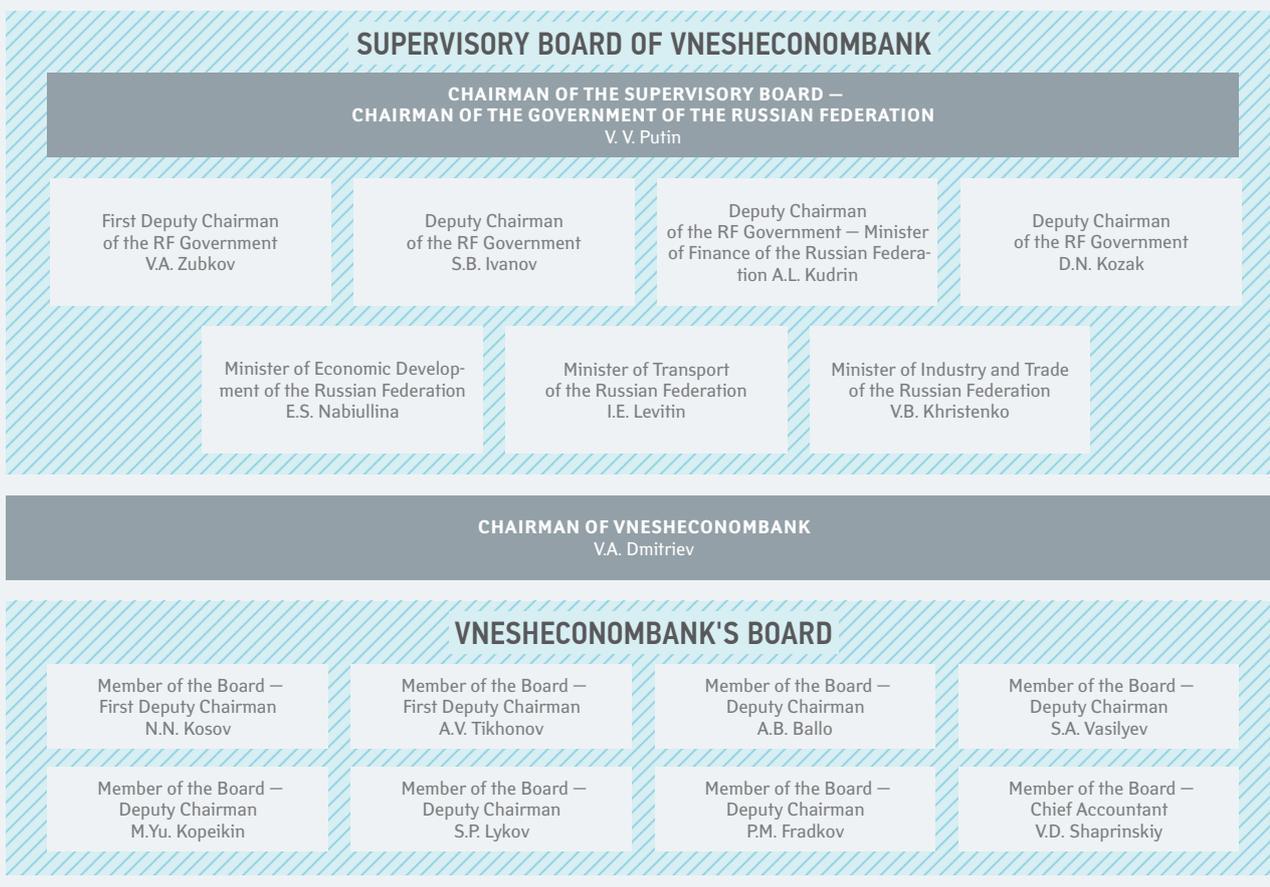
V. A. Dmitriev, Chairman of Vnesheconombank, is one of Russia's most reputable financial experts. For many years, he has been one of the influential representatives of the national banking community ranked among Top 100 Russia's Leading Policy-Makers and occupies high positions in the influence rankings of Russian entrepreneurs and investors. In 2010, V. A. Dmitriev won the Banker of the Year award.

### Standing Collegiate Working Bodies

In 2010, 12 collegiate working bodies functioned within the Bank:

- Budget Committee;
- Vnesheconombank's Commission on Consideration of Petitions for Bad Debt Write-off;
- Committee on Pension Savings Trust Management;
- Personnel and Remuneration Committee under Vnesheconombank's Supervisory Board;
- Committee on Scrutinizing Borrower Applications for Foreign Debt Refinancing;

### Vnesheconombank's Governing Bodies as January 1, 2011



- Committee on Subordinated Loans;
- Committee on Vnesheconombank's Asset and Liability Management;
- Committee for Development of Investment Operations;
- Committee for Strategic Development;
- Credit Committee;
- Committee for Situational Assessment;
- Technology Committee.

The primary objective of collegiate working bodies is to assist governing bodies in the adoption of strategic decisions on Vnesheconombank's core business lines.

## Expert Council of Vnesheconombank

The Expert Council acts as Vnesheconombank's advisory working body. The goals of the Expert Council are to conduct in-depth scientific analysis of the Bank's core business lines and to prepare decision-making proposals for VEB's governing bodies.

Members of the Expert Council do not work for Vnesheconombank on a full-time basis and are managers and deputy managers of third-party entities. The professionalism of the Expert Council members is confirmed by the results of their scientific work, public recognition, national awards and prizes

The Expert Council meetings can be attended by the Chairman of Vnesheconombank, members of the Board and Deputy Chairmen of the Bank. Pursuant to agreement with VEB's management and the executive secretary of the Expert Council, directors of the Bank's structural divisions, representatives and experts from other organizations may also join the debate on various issues.

In 2010, participating in the Expert Council meetings were independent experts from the Agricultural Policy Laboratory of the Institute for Transition Economies (ITE); the World Economy and Global Policy Faculty and the

Applied Macroeconomics Faculty of the Higher School of Economics National Research University and the Foundation for Development of Small Forms of Enterprises in Science and Engineering.

The reporting period witnessed 3 plenary sessions of the Expert Council. Work was performed in the areas of highest importance to the Russian economy, in which Vnesheconombank plays a crucial role. Specifically, the Expert Council contributed greatly to the preparation of proposals for the improvement of legal regime applicable to the functioning of state corporations and companies. The Council's expert opinion was considered in the finalization of the Federal Law "On Amendment to the Federal Law "On Non-Profit Organizations" and Some Other Legislative Acts of the Russian Federation" adopted by the State Duma of the Russian Federation and the Federation Council on December 21 and 24, 2010, respectively. Federal Law No. 437-FZ was signed by D.A. Medvedev, President of the Russian Federation, on December 29, 2010.

## Internal Control System

The Bank's Internal Control System (ICS) enforces the laws of the Russian Federation and internal regulatory documents, monitors the effectiveness of internal control procedures, financial statements and management reports.

VEB's Internal Control System reports directly to the Bank's Supervisory Board and is authorized to exercise control over the activities of all the Bank's structural divisions.

The ICS inspects:

- compliance of the Bank's internal documents with the regulations of the Russian Federation and the requirements of the internal control system;
- completeness and effectiveness of the methodology for assessing bank risks and risk management procedures;
- reliable, complete, objective and timely maintenance of accounting records and the submission of statements and other information in accordance with the regulations of the Russian Federation, etc.

Upon completion of inspections, the ICS prepares proposals for the Bank's Chairman concerning the improvement of the Bank's operations. Instructions and prescriptions on issues falling within the competences of VEB's Internal Control System are binding upon all independent structural divisions of Vnesheconombank.

### IT Support for VEB's Operations

Vnesheconombank views the application of advanced information technologies (IT) as one of the factors ensuring stable functioning of the corporation.

The examples of IT application are given below and in VEB's Annual Report 2010.

A powerful tool for accomplishing the Bank's daily and strategic objectives is the functioning of Vnesheconombank's IT operations management system adjusted for state-of-the-art global practices, which is built upon ITSM/ITIL<sup>3</sup> methodology and ISO 9000 quality management standard.

For the purposes of disseminating and implementing the best practices of IT operations management, Vnesheconombank participates in the work performed by Non-profit Partnership "The IT Service Management (ITSM) Forum", a Russian office of the international ITSM Forum.

3. ITSM/ITIL standing for "IT Service Management (ITSM)" is a methodology based on the library of techniques and rules for setting ITIL operational processes.

Construction of the Boguchansk HPP,  
Key project of the Federal Program  
for Integrated Development  
of Nizhnee Priangarie

# INVESTMENT IN SUSTAINABLE DEVELOPMENT



## ECONOMY

Vnesheconombank's commitment

# 28.1

RUB bn



## SOCIETY

# 8600

# 800

# 1000-1500

Aiming at creating  
new jobs

over the facility  
construction cycle

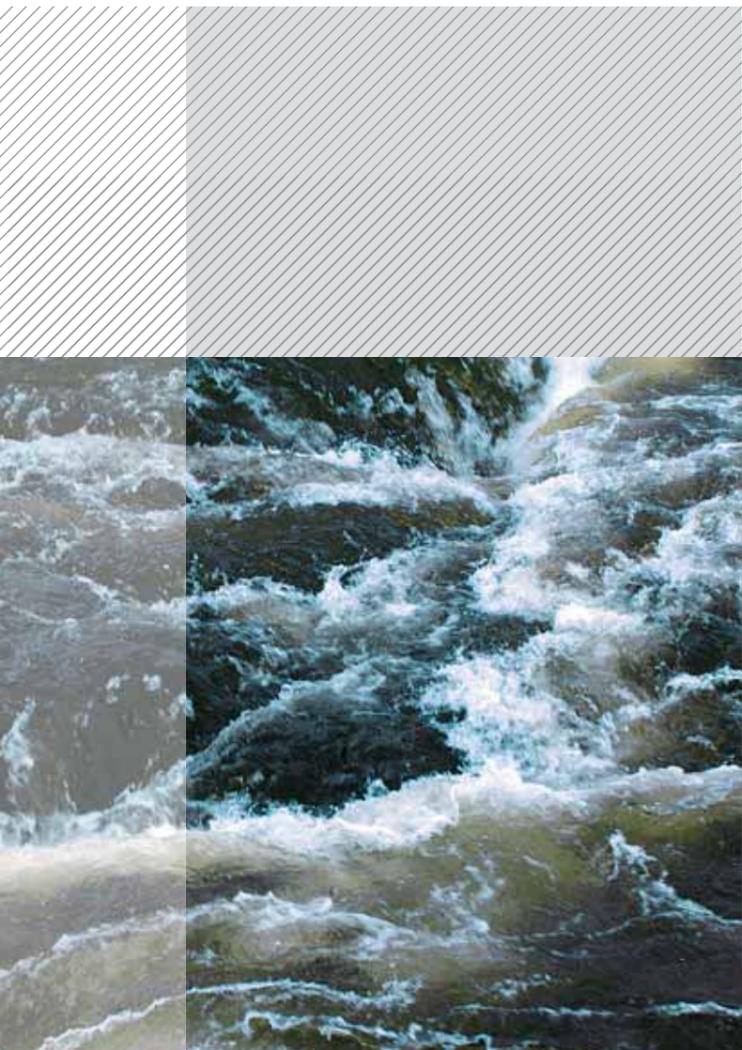
over the facility  
operating cycle

at attendant  
facilities



## ENVIRONMENT

Based on the outcomes  
of the international environmental  
impact assessment, the action plan  
to secure environmental protection  
was developed



# 1.2

## Vnesheconombank's Development Strategy

"Vnesheconombank is the major financial institution implementing the state investment policy of the Russian Federation, aiming to contribute to higher competitiveness of the economy and its diversification on the basis of innovations".

[Vnesheconombank's Development Strategy 2008-2012](#)

### Vnesheconombank's Development Strategy 2008-2012

Vnesheconombank's Development Strategy 2008-2012 was approved by the Supervisory Board and adopted by the Board of Vnesheconombank in September 2008.

The Strategy was implemented in an environment of global financial and economic crisis resulting in a lower level of the banking sector liquidity, deteriorated financial position of a number of Russia's largest banks.

In late 2008, Vnesheconombank was instructed to take part in pursuing the Principal Crisis Management Policies of the Government of the Russian Federation for 2009 and 2010.

For the purpose of taking crisis management measures, the government allocated funds for expanding the Bank's charter capital and special-purposes (fee-based and repayable) funds from the federal budget and the Bank of Russia for the extension of subordinated loans to Russian banks and funding the operations related to refinancing of debt owed by the entities representing the real sector to foreign financial institutions.

In 2010, pursuant to the resolutions adopted at the national level, the Bank continued implementing the programs of financial rehabilitation of the entities representing Russia's real economy and financial sectors.

Given the economic crisis effects and the large-scale objectives of implementing the crisis management measures of the RF Government, on the accomplishment of which Vnesheconombank was focused in 2008 and 2009, it is safe to say that, in general, the Bank achieved good results in an adverse macroeconomic situation and successfully performed the functions of the crisis manager acting within the approved national programs.

The Bank's functioning as a crisis manager was not provided for by the Development Strategy 2008–2012. Changes in the external environment and the national socio-economic policy from 2008 to 2010 necessitated preparation of VEB's new Development Strategy

### Vnesheconombank's Development Strategy 2011–2015

In 2010, the preparation of the Bank's Development Strategy 2011–2015 started. The Strategy was primarily adjusted for the national investment policy priorities and the best practices of foreign financial development institutions.

Unlike the Development Strategy adopted in 2008, the new document focused on strengthening the role of Vnesheconombank in supporting national economic development and innovations-based modernization and:

- proposed new targets for the Bank, such as the scope of financed projects, the share of innovative projects in the volume of the Bank for Development loan portfolio, the scope of financial support for SMEs and the scope of support for industrial exports;

- identified priorities for financing of industries and enterprises manufacturing competitive high value-added products, innovative enterprises;

- formulated the Bank's objectives related to implementation of crisis management projects and the management of Vnesheconombank's Group subsidiaries;

- provides for a project to introduce the balanced scorecard system as the principal tool for strategy implementation control.

Vnesheconombank's Draft Development Strategy 2011–2015 envisages considerable growth rates of the Bank for Development loan portfolio, primarily due to support for the investment projects aimed at renovating and upgrading Russian enterprises and developing competitive international businesses

As a result of implementing Vnesheconombank's Development Strategy 2011–2015, the Bank will strengthen its role in financing programs and projects for the innovation-based modernization of the national economy.

The Expert Council members participated in drafting the new document. Their recommendations concerned:

- forecast conditions for the strategy implementation;

- correlation of functions of the Bank for Development, the agent for the RF Government and the crisis manager under the relevant Government programs;

- improvement of the existing system for assessing the Bank's operational risks;

- determination of the innovation criterion in respect of investment projects approved for financing by Vnesheconombank and its subsidiary banks;

- establishment of regional direct investment funds (in Siberia and the Far East).

Most recommendations given by the Expert Council members were taken into account in drafting Vnesheconombank's Development Strategy 2011–2015.

#### POST-REPORTING-PERIOD EVENTS

On September 27, 2011, Vnesheconombank's Development Strategy 2011–2015 was approved by the Supervisory Board of Vnesheconombank.

# 2 INVESTMENT IN SUSTAINABILITY

## 2.1

### Interaction with External Environment on Sustainability Issues

As the major financial institution implementing the state investment policy, Vnesheconombank is called to help enhance the competitiveness of the national economy and ensure its diversification. In its activities, the Bank focuses on national interests and adheres to the position approved by the Government of the Russian Federation.

#### Scope of Influence

Vnesheconombank is the first special-status development bank established in Russia. The Bank's Development Strategy and its implementation mechanisms reflect a wide range of VEB's tasks and goals, including the removal of infrastructure constraints to economic growth, optimization of natural resources utilization, development of high-tech industries and support for domestic exports.

Vnesheconombank takes an active part in formulating the state investment policy and SMEs development policy, introducing the PPP mechanisms, managing the state foreign debt and the state external financial assets. Also, the Bank acts as a State Trust Management Company to manage pension savings.

In its activities, Vnesheconombank aims to help resolve the challenging economic, social and environmental problems and create conditions for sustainable economic growth. In this respect, the Bank's primary corporate social responsibility is to effectively accomplish the formulated objectives, which implies introduction of the best standards and practices, an innovative approach and due regard for key stakeholder interests

The Bank's investment projects are intended to give a strong impetus to the development of a raft of indus-

### VEB's Geographic Reach

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>■ Investment projects involving Vnesheconombank are implemented in all federal districts of the Russian Federation</li> </ul> | <ul style="list-style-type: none"> <li>■ The Bank interacted with 43 countries in financing the industrial exports of the Russian entities</li> </ul>  |
| <ul style="list-style-type: none"> <li>■ Programs for SME support cover 81 constituent entities of the Russian Federation</li> </ul>                                 | <ul style="list-style-type: none"> <li>■ Vnesheconombank participated in 34 inter-governmental commissions for commercial and economic cooperation with foreign countries</li> </ul>                       |
| <ul style="list-style-type: none"> <li>■ 13 representative offices of Vnesheconombank operated, including 9 foreign and 4 domestic offices</li> </ul>                | <ul style="list-style-type: none"> <li>■ 33 constituent entities of the Russian Federation adopted regional laws on public-private partnership with the support and guidance of Vnesheconombank</li> </ul> |

tries, to contribute to the economic growth of the Russian regions and single-industry towns, to more efficient use of natural resources. Given the scope of influence of the Bank's investment activities on sustainability, projects are financed with due regard for their environmental and social impacts.

Apart from its core business, Vnesheconombank also contributes to improving public welfare through charity aimed at supporting healthcare, science, education and arts, the Russian Orthodox Church, backing up the disadvantaged social groups.

A crucial resource enabling Vnesheconombank to operate effectively is the Bank's team. Realizing its responsibility towards the personnel, Vnesheconombank seeks to ensure a decent salary and social benefit level, safe working conditions and opportunities for professional development of its employees.

In 2010, the Bank started drafting its CSR Strategy 2012–2015. It will be a fundamental document that will include the analysis of domestic and foreign environment, sustainability goals, principles and priorities. The Strategy will serve as the basis for developing internal regulatory documents on various top-priority CSR areas, such as environmental and social policies, stakeholder engagement policy, the code of corporate ethics, etc.

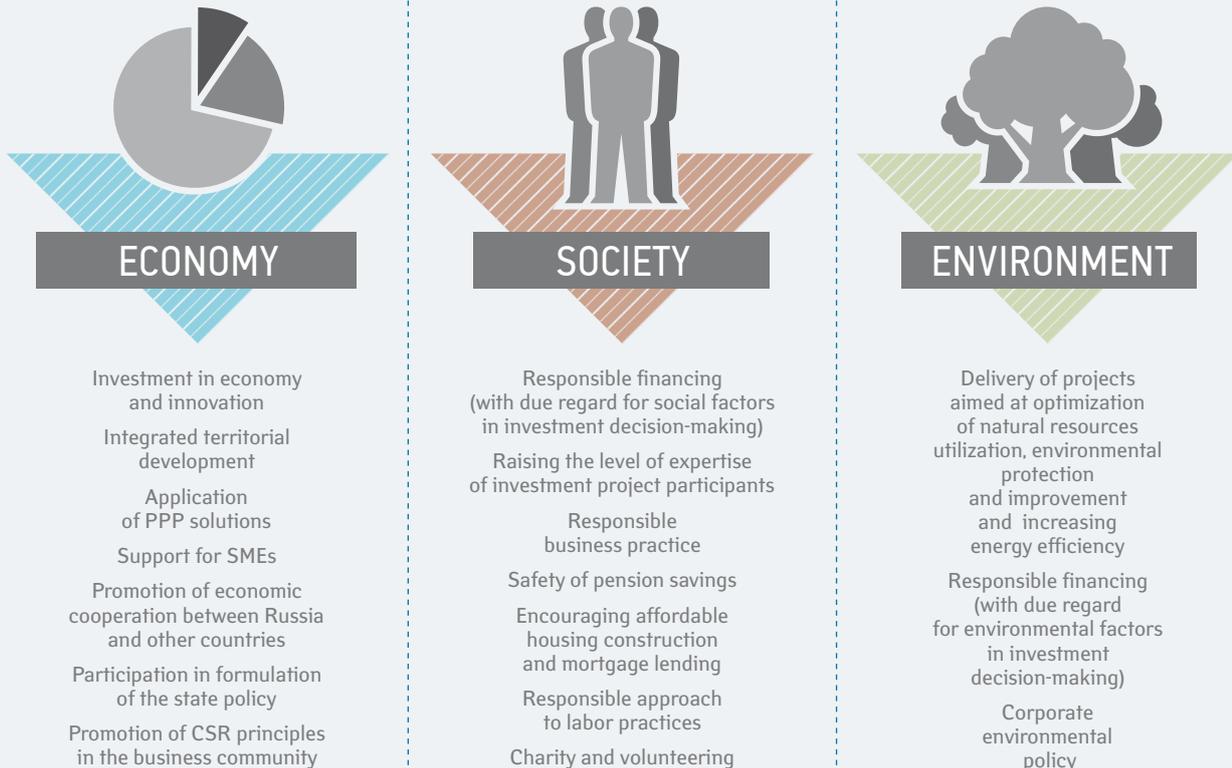
### Approaches to Stakeholder Engagement

Vnesheconombank views stakeholder engagement as an essential condition for sustainability and a key factor of CSR system development. The Bank realizes the extent of influence of its activities on a broad range of stakeholders and its responsibility towards them. Identifying the CSR priorities and the respective implementation mechanisms, the Bank focuses on the expectations of stakeholders and seeks to take them into account to the greatest extent possible.

The Bank's system of stakeholder engagement undergoes consecutive phases from informing of the Bank's activities to joint search for solutions to the strategic issues faced by the Bank.

By 2013, it is planned to develop the policy of stakeholder engagement. The document will be based on the requirements of the international standard AA1000SES (AccountAbility Institute) and will allow Vnesheconombank to most fully capture public expectations and to allocate responsibility for stakeholder engagement between VEB's structural divisions

## Vnesheconombank's contribution to sustainability



## Communication with Stakeholders

The key issues related to communication with stakeholders are governed by the external communication policy of Vnesheconombank. The general concept of the Bank's communication system and policy is reflected in Vnesheconombank's Development Strategy 2008–2012 (the Communication Strategy section) available at: <http://veb.ru/strategy/strat/>.

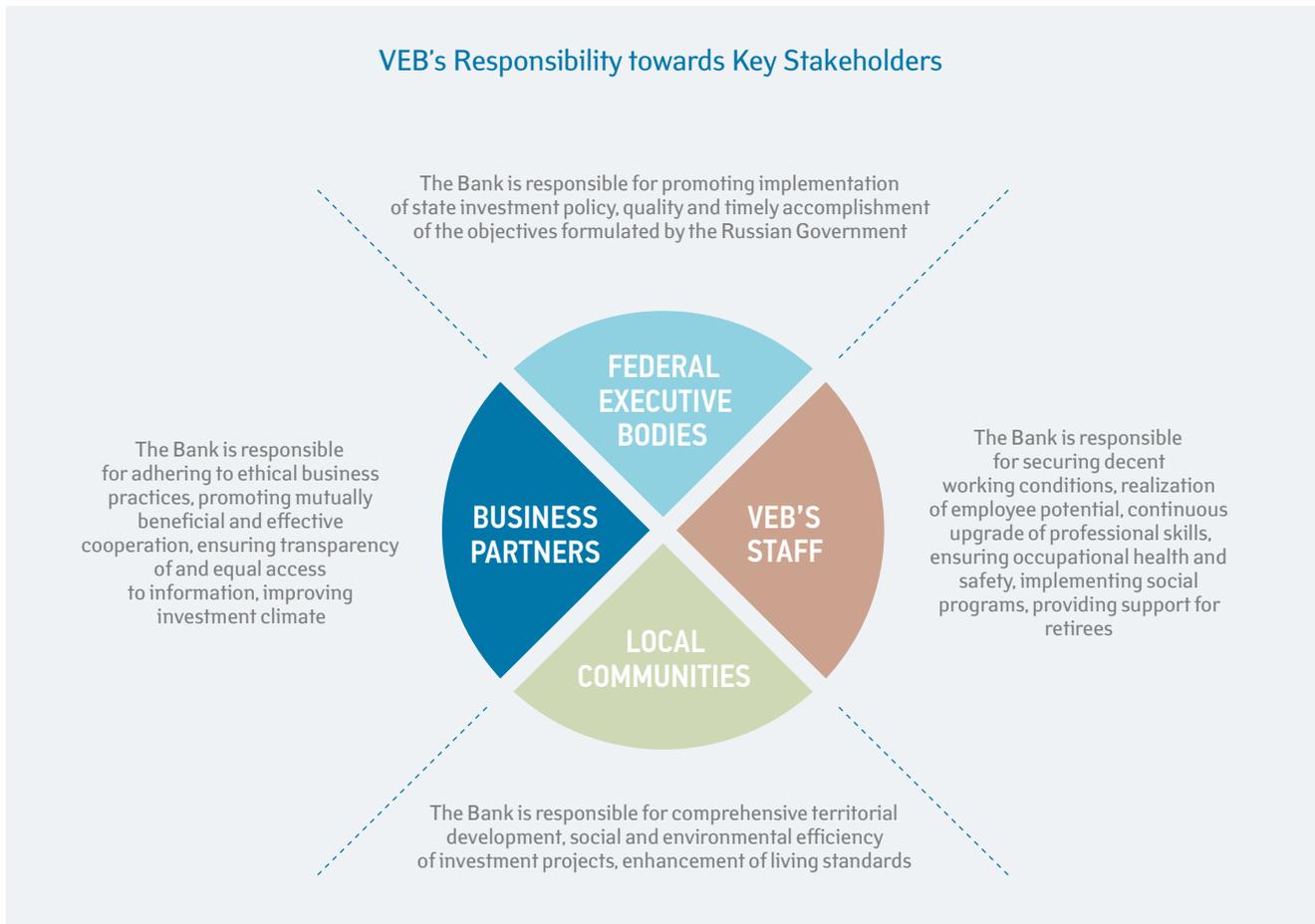
The major financial results of Vnesheconombank's activities are published in its annual report, including the annual financial statements, and are publicly available from Vnesheconombank's website at: <http://veb.ru/about/annual/>. Vnesheconombank's Annual Report 2009 won in the Best Level of Information Disclosure in Annual Report of State Corporation category at the 13th Annual Federal Competition of

Annual Reports and Corporate Websites organized by the Securities Market magazine and MICEX Stock Exchange.

Stakeholders are informed of the Bank's economic, environmental and social performance through the publication of annual non-financial reporting.

In 2010, Vnesheconombank published its first Sustainability Report prepared in accordance with GRI's Sustainability Reporting Guidelines and Financial Services Sector Supplement. Vnesheconombank is the official translator of the Supplement.

The report won the 3rd prize in the Best Corporate Social Responsibility and Sustainability Report category at the 13th Annual Competition of Annual Reports held by RTS Stock Exchange since 1998. The Report also received



an award of the All-Russian Contest "Russia's Best Enterprises. Dynamics, Effectiveness, Responsibility 2010" organized by the Russian Union of Industrialists and Entrepreneurs, in the Best Debut in Non-financial and Sustainability Reporting category.

The statements and reports of Vnesheconombank became a reliable instrument of operational planning and assessment of non-financial performance of the Bank and allowed it to better formulate mid-term CSR goals (see table below). Information on the progress in achieving VEB's CSR-related goals is planned to be published in subsequent reports.

One of the instruments for raising Vnesheconombank's public availability and transparency is its official website at: [www.veb.ru](http://www.veb.ru), publishing information on the Bank's

major business lines, the formats of investment applications, recommendation for business plan and financial model preparation. In 2010, 673,386 user visits were recorded. The most popular sections were News and Resolutions of the Supervisory Board.

For the purpose of raising transparency, the Bank actively interacts with mass media: press conferences, briefings and interviews with the Bank's management are organized on a regular basis. In 2010, Vnesheconombank's Press Service was recognized by the International Association of Business Communicators (IABC) as the Most Innovative Press Service of the Year.

The year 2010 witnessed careful preparation and distribution of 155 press releases and 589 official press commentaries, arrangement of 27 interviews of the Bank's top executives to



## VEB's CSR-related Goals

■ Development of VEB's CSR Strategy 2012–2015.	■ 2011
■ Vnesheconombank's accession to the United Nations Global Compact	■ 2011
■ Organization of the second international conference "Investment in Sustainability. Role of Financial Institutions"	■ 2011
■ Organization of public hearings for discussing the draft report	■ 2011
■ Development and implementation of VEB's Code of Corporate Ethics	■ 2012
■ Development of corporate environmental policy	■ 2012
■ Development of stakeholder engagement policy	■ 2013
■ Creation of CSR section on the website of Vnesheconombank at: <a href="http://www.veb.ru">www.veb.ru</a>	■ 2013
■ Integration of CSR and non-financial reporting principles into the operations of Vnesheconombank's subsidiaries	■ 2015

the Russian and 10 – to the foreign media. Notably, 13 publications by the Bank's management were prepared.

Vnesheconombank's activities were highlighted in 41,921 and 14,145 publications in the Russian and foreign media, respectively

In 2008, a Call Center was set up to ensure prompt communication and inform a broad range of stakeholders of all matters concerning VEB's activities. Everybody is welcome to call the Bank at: (495) 721-18-63. Calls are analyzed and annual analytical report is prepared. The results are used to improve the stakeholder engagement.

In 2010, the Call Center received and processed 17,113 calls on various matters (reference information about the Bank, investment project and SME lending issues).

### Promotion of CSR Principles in Business Community

Vnesheconombank has an important role to play in promoting sustainability principles in the business community both in Russia and abroad. In its activities, Vnesheconombank adheres to the principles of respon-

sible business practice and initiates a whole range of events related to sharing CSR experience between the Russian and foreign companies.

The need for improving the social responsibility of the Russian business, especially state-owned corporations and companies has been repeatedly highlighted both by general public and the country's leaders. In June 2010, President of Russia Dmitry Medvedev instructed the RF Government to develop proposals concerning the procedure for the use of voluntary mechanisms of environmental responsibility by the state-owned companies and mandatory regular publication by corporations wholly-owned by the state of non-financial reports on sustainability and environmental responsibility subject to independent audits or assurance. Vnesheconombank submitted its proposals concerning the above-mentioned issues to the Ministry of Economic Development of the Russian Federation.

In August 2010, Vnesheconombank organized a round-table discussion, during which representatives of state corporations, such as Vnesheconombank, Rosatom, ROSNANO, the Housing and Public Service Restructuring Fund, the Agency for Deposit Insurance and Olimpstroy discussed the possibility of regular publication of non-financial sustainability reports by state corporations.

In December 2010, Vnesheconombank organized an international conference “Investing in Sustainable Development. The Role of State Corporations and Companies with State Participation” attended by the representatives of the RF Government, top managers of Russian and foreign state companies, international experts. The participants discussed the major international sustainability initiatives. Speeches were made by the representatives of the United Nations Environment Programme Finance Initiative, the Equator Principles, the Global Reporting Initiative (GRI) and SustainAbility think tank. The conference hosted a presentation of Vnesheconombank’s Sustainability Report 2009. The representatives of CDB (China), KfW (Germany), Sasol (South Africa) also presented their sustainability achievements.

## International Cooperation

In its international cooperation, VEB acts on behalf of the Russian financial sector and aims to facilitate the development of a benign investment and financial environment. These activities are focused on attracting foreign investment and implementing joint investment projects, supporting the Russian exports, participating in the development of international rules and standards for business conduct, sharing experience in devising advanced banking technologies and products, accessing foreign financial markets that have a high potential and reinforcing the Bank’s reputation and image at the international level.

Vnesheconombank promotes networking with a raft of international financial institutions, including international development organizations, corporations and foreign development institutions.

Vnesheconombank is a member of more than 30 non-commercial organizations (associations, unions) seeking to foster economic development and investment. In 2010, the Bank participated in 34 inter-governmental commissions on trade and economic cooperation with foreign countries

The year 2010 witnessed bolstered cooperation with the following organizations: Interbank Consortium of the Shanghai Cooperation Organization (SCO IBC), BRICS,

the Long Term Investors Club, the Russian-Italian Forum-Dialog (Civil Society Line) (see the table below).

## Arranging Public Dialogue Events

Vnesheconombank initiates public discussions of a wide range of issues related to the efficiency of economic development and crisis management policy among the representatives of public authorities, Russian and foreign financial institutions and the expert community.

In 2010, Vnesheconombank supported a number of major specialized Russian and international events, including:

■ The first session of the Russian Economic and Financial Forum in Germany dedicated to discussing the current Russian economic climate and the prospects for national socio-economic development in 2011 and 2012, as well as the development of bilateral Russia-Germany cooperation on innovations and attraction of foreign investors to Russian regions;

■ The second “Pure Water 2010” International Forum intended to consolidate the efforts of enterprises operating in the domestic water industry aimed at maintaining water resources and supplying high-quality water to the population of the Russian Federation and inform the global community of Russia’s position on water protection and saving;

■ VI Annual Business Forum of the Real Sector entitled “Modernization”, a platform for effective communication between the representatives of the government and entrepreneurs;

■ “Russia – Europe: Cooperation without Frontiers” Business Partnership Forum aiming to establish business ties between Russian companies and their European partners, to attract direct foreign investment and state-of-the-art technologies to the Russian enterprises, primarily to SMEs.

The events organized by the Bank were supported by the national leaders, managers of Russian banks and foreign development banks and resulted in specific practical proposals and ideas concerning the modernization of Russian economy and post-crisis rebound.

## Promoting International Cooperation in 2010

Association	Association Participants (apart from Vnesheconombank) as of January 1, 2011	Interaction Outcomes 2010
Interbank Consortium of the Shanghai Cooperation Organization (SCO IBC)	<ul style="list-style-type: none"> <li>■ China Development Bank</li> <li>■ Development Bank of Kazakhstan</li> <li>■ OJSC RSK Bank (Kyrgyz Republic)</li> <li>■ State Savings Bank of the Republic of Tajikistan Amonatbank</li> <li>■ National Bank for Foreign Economic Activity of the Republic of Uzbekistan</li> </ul>	<ul style="list-style-type: none"> <li>■ bolstering investment cooperation within SCO IBC;</li> <li>■ pursuant to Resolution of the SCO IBC Council dated June 3, 2010, an ad-hoc working group including the member-banks' representatives was established to scrutinize the IBC's joint investment projects and create a mechanism of guarantees and investment insurance;</li> <li>■ experience exchange with China Development Bank on corporate social responsibility issues (mutual professional trainings, videoconferences, etc.)</li> </ul>
BRICS Interbank Cooperation Mechanism	<ul style="list-style-type: none"> <li>■ Brazilian National Bank for Social and Economic Development (BNDES)</li> <li>■ China Development Bank</li> <li>■ Export-Import Bank of India</li> <li>■ Development Bank of Southern Africa</li> </ul>	<ul style="list-style-type: none"> <li>■ holding the first working meeting resulted in a number of key decisions on the interaction structure defining;</li> <li>■ creating the working group on interaction in the BRICS format composed of the representatives of the Bank's structural divisions. VEB's role in the BRICS format envisages setting up cooperation infrastructure in financing of joint development projects in the BRICS economic space, primarily in the high-tech, innovations and energy efficiency segments</li> </ul>
Long Term Investors Club	<ul style="list-style-type: none"> <li>■ KfW</li> <li>■ CDB</li> <li>■ European Investment Bank</li> <li>■ Caisse des Depots et Consignations</li> <li>■ Narodowy Bank Polski</li> <li>■ Cassa Depositi e Prestiti</li> </ul>	<ul style="list-style-type: none"> <li>■ discussion of global issues related to development of the global economy with the representatives of the world's leading financial institutions, funds and organizations;</li> <li>■ broadening opportunities for attracting long-term investors to the funds in which Vnesheconombank participates; development of bilateral relations with the club members and use of the club's analytical materials for the Bank's business goals;</li> <li>■ execution of bilateral cooperation agreements between Vnesheconombank and Caisse des Depots et Consignations (France) and Cassa Depositi e Prestiti (Italy)</li> </ul>
Russian-Italian Forum-Dialog (Civil Society Line)	<ul style="list-style-type: none"> <li>■ Non-governmental and civic organizations of Russia and Italy</li> </ul>	<ul style="list-style-type: none"> <li>■ Roundtable "Support for SMEs: Experience of Russia and Italy";</li> <li>■ Roundtable "Russian-Italian Cooperation in Modernizing and Laying the Fundamentals of High-Tech Economy in the Russian Federation";</li> <li>■ Forum "Public-Private Partnership to Raise Energy Efficiency and Develop Renewables in the Context of Climate Change";</li> <li>■ Business Forum "Russia and Italy: Bolstering Interregional Cooperation";</li> <li>■ meeting of the Forum-Dialog "Russia — Italy: Partnership for Modernization";</li> <li>■ Symposium "Ethical Aspects of Banking and Social Role of Banks: Experience of Russia and Italy"</li> </ul>

# 2.2

## Responsible Business Practices

Vnesheconombank's responsible business practices are based on strict compliance with the Russian legislation and the standards of international laws. Engaging with the stakeholders, Vnesheconombank seeks to adhere to the principles of professional ethics, endeavors to achieve positive changes in the society, specifically through participating in formulating the state policy.

### Professional Ethics

Compliance with the principles of professional ethics is inherent in Vnesheconombank's corporate culture and helps strengthen mutual trust between the Bank and the financial market participants. Priorities in this area are to protect the rights and interests of the Bank's customers, counterparties and business partners and to combat corruption.

Currently, the issues of VEB's professional ethics are governed by the following documents: the List of Measures Aimed at Preventing Improper Use of Corporate Information in Execution of Professional Operations in the Securities Market, the Code of Professional Ethics of Vnesheconombank in activities related to accumulation and investment of pension savings, etc. These documents are available on Vnesheconombank's website at: [www.veb.ru](http://www.veb.ru).

In accordance with the Federal Law "On Combating Corruption", Vnesheconombank conducts the anti-corruption review of regulations and draft regulations and performs procedures aimed at identifying and preventing the possible conflict of interest between the Bank and its individual employees and executives.

In 2012, it is planned to create the Code of Corporate Ethics specifying the ethical principles and rules of business conduct binding upon all the employees.

## Participation in State Policy Formulating

Vnesheconombank participates in devising development strategies for the sectors of economy which are of top priority for the Bank, in upgrading legislation and developing recommendations concerning the Bank's major business lines.

In 2010, Vnesheconombank participated in preparing proposals and commentaries on the draft concept of the Federal Target Program "Environmental Security of Russia" (2012–2020), the Banking Sector Development Strategy until 2015 and the Russian Federation Strategy for Innovative Development

The Bank prepared expert opinions on a number of draft laws:

- "On Amendments to the Federal Law "On Additional Measures for Supporting the Financial System of the Russian Federation";
- "On Amendments to the Federal Law "On Banks and Banking Activities";
- "On Amendments to the Federal Law "On Insurance";
- "On Amendments to the Customs Code of the Russian Federation";
- "On Amendments to the Federal Law "On the Federal Budget 2010";
- "On Amendments to Certain Legislative Acts with Regard to Improving the Mechanisms of Establishment and Liquidation of Commercial Institutions";
- "On Specifics of Infrastructure Investment";
- "On the Russian Financial Agency";
- "On Amendments to the Federal Law "On Fishery and the Preservation of Water Biological Resources";
- "On Amendments to the Tax Code of the Russian Federation";
- "On Personal Insurance with Banks," etc.

## Anti-Money Laundering and Counter Terrorist Financing

Since 2002, a system of anti-money laundering and counter terrorist financing (AML/CTF) developed by VEB has been successfully functioning.

The Bank's AML/CTF system was established in accordance with the provisions of the Federal Law "On Combating Money Laundering and Terrorist Financing," the regulatory documents and recommendations of the Central Bank of the Russian Federation and the Federal Service for Fiscal Monitoring and with due regard for the practical experience gained by the leading western and Russian financial institutions. The existing AML/CTF System guarantees minimizing the risk of involving the Bank in money laundering/terrorist financing activities.

The following principles underlie VEB's AML/CTF activities:

- preventing involvement of the Bank's employees in money laundering and terrorist financing;
- identifying all the Bank's customers and applying the know-your-customer procedure to each customer;
- establishing contractual relations only with banks engaged in the AML/CTF activities;
- non-establishing contractual relations and non-executing operations involving banks physically absent in their registered office;
- duly providing information specified by the federal law to the federal executive body authorized to combat money laundering and terrorist financing (Federal Service for Financial Monitoring).

The key elements of the System are the AML/CTF internal policies and procedures approved by the Bank's Chairman and agreed upon with the CBR and the Federal Financial Markets Service.

The fundamental principles of the AML/CTF internal policies and procedures apply to all the Bank's employees irrespective of their seniority level and prescribe them to be vigilant, within their competences, in respect of any operations/transactions of the Bank and its customers.

An important factor ensuring successful functioning of Vnesheconombank's AML/CTF System is implementing VEB's AML/CTF Training Programs elaborated in conformity with the AML/CTF internal policies and procedures.

In line with the requirements of the Federal Service for Financial Monitoring for training and skills upgrading of the professional securities market participants from among banks, in 2010, Vnesheconombank conducted training programs related to the AML/CTF specifics in the financial market.

Training was conducted by companies certified by the Federal Financial Markets Service to appraise financial market experts and by other entities involved in personnel training and skills upgrading in accordance with the requirements established by the Bank of Russia on agreement with the Federal Service for Financial Monitoring.

Training was conducted within VEB's structural divisions involved in the execution (administration) of banking operations and other transactions. The employees of VEB's subsidiaries also attended the training.

In 2010, the AML/CTF training events, including opening (initial) orientation, were attended by 500 people, accounting for 28.1% of VEB's actual headcount

## Procurement Management

In the reporting year, Vnesheconombank performed its procurement operations under the internal regulations providing for the tender-based selection of external contractors. The assessment criteria are the price indicators of a commercial offer, time limits and the business reputation of counterparties, etc.

The procedure of contract approval is construed to exclude improper and inefficient spending of funds for specific services, as well as order placement abuse.

Procurement proposals (the Bank's institutional development; construction and reconstruction of the Bank's buildings and real property acquisition; renovation of the Bank's buildings and offices, premise lease; car fleet renovation, etc.), prior to their submission for consideration by

the Bank's Board, are considered by VEB's Budget Committee in terms of cost effectiveness.

In 2010, to ensure transparent procurement operations of state corporations, the RF Ministry of Economic Development in collaboration with the federal executive authorities and organizations concerned drafted the Federal Law "On Procurement of Goods, Works and Services by State Corporations (Companies), Natural Monopolies and Public Utility Companies".

In 2010, to upgrade the procurement system and secure compliance of the respective VEB's internal regulations with the RF legislation, Vnesheconombank established a working group on transition to a new procurement system

## Protection of Confidential Information of the Bank's Borrowers and Partners

Vnesheconombank undertakes to keep confidential the information of the Bank's borrowers and partners. The information is transmitted via public communication channels (Internet) using the data protection program. The processing of confidential information is permitted only in the intra-bank network. The Bank's employees are obliged to inform the management of their respective structural divisions or the Security Directorate and the management of the Data Protection Unit of any confidential information transmission to the external environment.

In 2010, there was no recorded court litigation concerning the customer's privacy breaches and customer data loss

# 2.3

## Management of Social and Environmental Impacts in Investment Project Financing

Vnesheconombank implements investment projects, which are of top priority for economic development of a particular region or the entire country, yet are underfunded by the private sector due to high risk levels, long payback periods and complexity of support instruments, etc. However, the Bank invariably seeks to ensure that the projects it finances are socially and environmentally responsible.

### Development of Investment Activities in Regions

To establish strategic partnership and develop long-term, efficient and mutually beneficial cooperation in the area of investment, Vnesheconombank enters into cooperation agreements with the public authorities of the RF constituent entities.

At year-end 2010, Vnesheconombank signed cooperation agreements with 46 constituent entities of the Russian Federation

The grounds for adopting decisions on agreement execution are the investment activities of the RF constituent entities and participation of regional authorities in developing benign investment environment for the delivery of socially significant projects. Primarily, VEB focuses on the regions already delivering and/or procuring investment projects with the Bank's participation.

The responsibility for identifying and selecting investment projects that meet the requirements set forth in the Bank's Memorandum on Financial Policies are delegated to the representative offices of Vnesheconombank in the Russian Federation (St. Petersburg, Khabarovsk, Yekaterinburg, Pyatigorsk). Decisions on opening of new representative offices are adopted by the Bank's Supervisory Board with due regard for the amount and scope of project financing in the region; the region's economic

concentration level in VEB's top priority industries; the region's investment needs for the next 8 to 10 years; the activity rate of the region's administration and business community in implementation of national and regional economic development programs, etc.

For the purposes of ensuring comprehensive development of territories and implementing large-scale investment programs aimed at raising the socio-economic level of regions, Vnesheconombank engages in creating and operating regional development corporations. As of January 1, 2011, 4 corporations were established, namely: OJSC Kaluga Region Development Corporation, OJSC Krasnoyarsk Territory Development Corporation, OJSC Samara Region Development Corporation, OJSC North Caucasus Development Corporation.

In 2010, the RF constituent entities submitted to Vnesheconombank passports of more than 400 investment project worth about RUB 2.4 trillion

### Procedure for Interacting with Investment Project Participants

The companies interested in project implementation submit an investment application to Vnesheconombank prepared in accordance with the Bank's requirements. The detailed list of documents to be provided by the project initiator is available from Vnesheconombank's website at: <http://veb.ru/strategy/invest/>.

The practical possibility and feasibility of VEB's participation in financing of investment projects submitted for the Bank's scrutiny are assessed through thorough expertise. The expertise procedure is governed by the Regulations on Expertise of Investment Projects.

Preliminary expertise involves identifying the investment project's alignment with the major areas of the Bank's investment activities and the associated sectoral priorities, positive effects on the economy and society and the project's conformity with the high quality principle.

Investment projects are selected for a comprehensive expertise by the Committee for Development of Investment Operations established in 2007.

During 2010, the Committee for Development of Investment Operations held 13 meetings, which considered 63 investment projects, including:

- 46 projects accepted for a comprehensive expertise;
- 14 projects rejected;
- 3 projects returned for revision

If the preliminary expertise is positive, it is followed by a comprehensive one. Upon completion of a comprehensive expertise, projects are submitted to the Credit Committee and the governing bodies of Vnesheconombank for consideration.

Resolutions approving the financing of a project are adopted by the Bank's governing bodies within their respective authority as provided for by the Federal Law "On Bank for Development".

If there is a need for an independent expertise and assurance of major investment projects, which are subject to approval by the Supervisory Board, projects can be further submitted for consideration by the Expert Council.

### Amendment to the Regulations on Performing Expertise of Investment Projects

In 2010, the Regulations on Performing Expertise of Investment Projects (hereinafter the "Regulations") were amended to:

- expand the list of the major areas of VEB's investment activities and the associated sectoral priorities in accordance with the amendments to the Memorandum on Financial Policies of the Bank;
- specify the term "innovative project" and define a number of criteria enabling to classify the investment projects submitted to Vnesheconombank as innovative;
- add a provision for a mandatory expertise of projects envisaging real property construction and facilities creation as to their energy efficiency and resource saving;
- adjust the procedure for performing expertise of investment projects as to their compliance with environmental protection requirements and environmental efficiency standards.

## Project Compliance with Environmental Protection Requirements, Environmental Efficiency Standards and Social Significance Criteria

The updated versions of the Regulations on Performing Expertise of Investment Projects Design stipulate that for financing and implementing a project in the Russian Federation, the investment project's alignment with the environmental protection requirements is verified by the Bank on receipt of valid authorizing documents issued by duly authorized agencies professionally well-versed in provision of expertise and assurance under state environmental programs and project design documentation.

A negative report of the duly authorized agency even in respect of 1 state environmental expertise and/or capital construction asset included in the project is a ground for returning the project for adjustment or its rejection by Vnesheconombank as not compliant with the principle of high-quality investment projects.

When an independent environmental expertise and assurance is required by the laws of the country hosting the project and/or is a prerequisite for a foreign corporate's participation in project financing, Vnesheconombank is

entitled to request that the project initiator provide an independent environmental assurance.

An independent environmental expertise and assurance are performed by engaging professionally equipped external experts in accordance with the applicable laws of the host country for the project and/or international standards related to environmental protection.

The methods for conducting an independent environmental expertise and assurance of a particular project are agreed upon between Vnesheconombank and a foreign corporate entity which is a project partner.

The following investment projects delivered by the Bank underwent an independent environmental expertise in accordance with the international standards:

- construction of the Boguchansk HPP;
- construction of the Moscow – St. Petersburg highway (15–58 km);
- construction of polypropylene plant with the productive capacity of 500 thousand tonnes per annum in Tobolsk;
- reconstruction and operation of the Pulkovo international airport (Stage I).

## CONSTRUCTION OF THE BOGUCHANSK HYDROELECTRIC POWER PLANT (BoHPP)

**Total project value: RUB 72.5 billion (including historical costs)**

**Vnesheconombank's commitment: RUB 28.1 billion**

**Borrower: OJSC Boguchansk HPP**

**The project is being implemented within the Master Plan for Location of Energy Facilities up to the Year 2020 approved by the RF Government Resolution No. 215-r dated February 22, 2008, and the Federal Program for the Integrated Development of Nizhnee Priangarie**

### Project Overview and Feasibility Justification

The project for building the Boguchansk HPP with the installed capacity of 3,000 MW on the Angara River is intended to play a key role in creating new integrated territorial industrial facilities in Nizhnee Priangarie. The BoHPP commissioning will help reduce energy deficit in the Siberian Integrated Energy System and, consequently, enable to build new industrial facilities, including two largest aluminum plants in Boguchansk District and Taishet surroundings. Furthermore, the construction of BoHPP will contribute greatly to the region's social development by raising the employment rate, increasing tax proceeds, developing adjacent branches of economy, SMEs, transport network, etc.



The Boguchansk HPP is among the largest assets being built in Russia. During the most intense works, the erection of BoHPP will involve about 8,600 people; during the operation phase, the HPP will offer about 800 jobs and another 1,000 to 1,500 jobs at auxiliary facilities. Throughout the project implementation, proceeds to the budgets of all levels will make about RUB 79.2 billion.

#### Most Important Aspects of Project Implementation

The most significant effects of BoHPP construction are associated with creating a water reservoir in the Angara River Basin, which is about 373 km long in total, causing the flooding of 1,494 km<sup>2</sup> of land, including 296 km<sup>2</sup> of farmland and 1,131 km<sup>2</sup> of forest land. The flooding will occupy a vast area with a variety of surface ecosystems and a whole number of archaeological sites and ancient architectural monuments. Alongside that, BoHPP, throughout its operating life, will be exposed to the risk of accidents, which can affect greatly the entire region, lead to the worsening of water quality and complicate fishery.

#### Russian and Foreign Requirements and Standards Used in Project Assessment

The project was assessed as to its compliance with the requirements of the Russian legislation and the international financial institutions (Equator Principles, the policies, standards and guidelines of the International Financial Corporation (IFC) and the World Bank Group).

Social and environmental expertise also included preliminary assessment of the projects associated with BoHPP construction (laying of transmission lines and construction of aluminum plants in Boguchansk District and Taishtet surroundings).

#### Measures for Assessing Potential Negative Social and Environmental Impacts of the Project

By the beginning of BoHPP construction (1979), all necessary project approvals and expertise had been obtained.

The project had undergone environmental and social assessment in accordance with the requirements of the international financial institutions resulting in the development of:

- plan of action in environmental protection, safety and social responsibility;
- plan of action for population transfer;
- plan of action for the preservation of cultural and historic heritage;
- plan of public discussions and communication.

### Measures for Minimizing the Project's Negative Social and Environmental Impacts

In accordance with the population transfer plan, all people living in flooded populated areas are offered housing with better living conditions. They will receive compensation for land and settlement in a new place and be assisted in moving to a new apartment. Compensation will also be paid to agricultural product manufacturers and timber producers.

This is accompanied by a set of measures aimed at improving social infrastructure in populated areas receiving transferred population and implementing the program for developing labor market, SMEs and supporting vulnerable groups of relocatees, etc.

The project discussion included meeting the dwellers of relocated villages and other human settlements affected by the project and consulting the representatives of federal and regional authorities. In the future, the mechanisms of stakeholder engagement are planned to be expanded, as needed, by holding the meetings of focus groups, organizing the work of conciliation commissions, entering into social partnership agreements, etc.

A crucial instrument for reducing the project's negative environmental impact is high-quality preparation of reservoir floor for flooding, including deforestation, forest clearance and settlement territory clearance, the removal of cemeteries and deadstock disposal sites. For ensuring reliable drinking water supply to populated areas located in the water reservoir affected zone, a wide range of integrated measures are expected to be taken, including the construction of public water supply abstractions. In the flooded area, work is underway to protect the assets of cultural significance and relocate wooden architectural monuments.

Upon completion of BoHPP construction, it is planned to organize an integrated system for monitoring the environmental impact of the water power development and the water reservoir.

The project development included analyzing the scenarios of possible accidents which can cause dam failure. The analysis showed that such events are highly unlikely. Issues related to safe BoHPP operation are discussed in detail as part of preparing engineering and technical civil defense measures, emergency prevention activities, BoHPP Safety Declaration and Safety Statements.

## CONSTRUCTION OF THE MOSCOW – ST. PETERSBURG HIGHWAY (15-58 KM)

**Total project value: RUB 72.0 billion**

**Vnesheconombank's commitment: RUB 14.6 billion**

**Borrower: North-West Concession Company LLC**

**The project is financed taking the PPP approach jointly with the RF Investment Fund**

### Project Overview and Feasibility Justification

The project goal is to optimize design, financing, construction, operation and maintenance during 30 years of the first section of the highway between Moscow and St. Petersburg, which will not only link the two Russian capitals but will also be part of the Pan-European Transport Corridor between Alexandroupolis (Greece) and

Helsinki (Finland), thus easing the integration of Russian road network into the international transport system.

The new highway construction will allow eliminating the critical situation of an overload of the existing highway M-10, impeding the development of north-western suburbs of Moscow, including the largest aviation node of Sheremetyevo.

Within the construction period, about 7.5 thousand new jobs will be created in the Moscow region.

### Most Important Aspects of Project Implementation

The greatest concern associated with the construction and operation of the Moscow – St. Petersburg highway is caused by its impact on the ecosystems of the north-western Moscow region, especially Khimki Forest.

### Russian and Foreign Requirements and Standards Used in Project Assessment

The project was assessed as to its compliance with the requirements of the Russian legislation and the international financial institutions: the European Bank for Reconstruction and Development (EBRD), the International Financial Corporation (IFC), the European Investment Bank (EIB), French Export Credit Agency (COFACE).

### Measures for Assessing Potential Negative Social and Environmental Impacts of the Project

All necessary project approvals and permits have been obtained as required by the Russian laws, including the approval by the State Environmental Expertise of the Investment Feasibility Study (IFS) for 15–58 km section (Decree of the Russian Federal Environmental, Engineering and Nuclear Supervision Agency No. 829 dated September 6, 2006).

In 2005, in accordance with the Russian legislative requirements, public hearings on the highway construction were held in Solnechnogorsk and Khimki Districts, which considered, among other things, the alternatives to highway construction. Two route options (through Poima gardeners' partnership) were considered. Ultimately, the

stakeholders agreed on the only possible option excluding the demolition of houses in the gardeners' partnership.

Additional environmental and social studies were conducted between 2008 and 2010 as part of assessing the project's compliance with the requirements of the international financial institutions, including the analysis of environmental and social documentation, such as materials on the initial/background environmental and social conditions which can be affected by the project implementation, materials on land purchase procedure, public consultations, the disclosure of information and documentation on environmental assessment and a package of additional environmental and social studies. This work resulted in the following documents:

- plan of stakeholder engagement;
- additional environmental studies of the health impacts of stormwater discharges, air pollution, light impacts and proper measures for reducing these impacts;
- additional surveys for assessing the current biodiversity condition and possible biodiversity effects;
- analysis of alternative highway routes and the process of final design option selection;
- plan of environmental protection and social activities aimed at preventing, minimizing, reducing and offsetting the project impacts.



## Measures Aimed at Minimizing the Project's Negative Social and Environmental Impacts

Upon completion of environmental and social studies, the borrower developed a plan of environmental protection and social activities, including a raft of measures designed to prevent, minimize, reduce or offset negative environmental impacts during the highway construction and operation.

Given the heightened public interest in the highway construction, a special focus area is implementation of the stakeholder engagement plan, which includes regular communication with stakeholders throughout the project lifecycle, creating complaint consideration procedures, holding consultations, roundtables and public hearings, forming a working group from among stakeholders for joint decision-making, etc.

For the purposes of preserving places that are particularly rich in biodiversity, a set of measures are expected to be taken, such as resiting certain highway sections affecting the most unique natural sites, laying pipes for surface yield under the road bed and creating passages for humans and animals, growing compensatory forest pastures, etc. In Khimki forest, it is planned not to build most highway infrastructure facilities and to raise the safety status of the territory not affected by construction.

The project includes noise-control glazing (with sound-proof flap ventilator) on the facades and sidewalls of buildings, which outlook the designed highway; installing sound-proof screens 4-6 m high along the highway; embanking along the roadbed or highway construction in natural landfills; arranging forest belts (as sound barriers) 20 m wide.

According to additional calculations, air pollution level on the border of all populated areas located in the closest proximity to the highway in the highest traffic situation will not exceed the maximum permissible concentrations specified in the Russian laws.

The project also involves implementing a program of environmental monitoring both during the highway construction (air quality and noise monitoring, chemical monitoring) and operation (monitoring of soil and water quality, the work of local treatment facilities, noise, the effects of deicing agents, etc.).

Due to the project's high social significance, the Government Commission on Transport and Communications headed by S. B. Ivanov, Deputy Chairman of the RF Government, instructed public authorities to perform a wide range of additional activities to restore forest ecosystem north, north-west and north-east of Moscow totaling approximately RUB 1.0 billion.

## CONSTRUCTION OF A POLYPROPYLENE PLANT WITH THE PRODUCTIVE CAPACITY OF 500 THOUSAND TONNES PER ANNUM IN TOBOLSK, TYUMEN REGION

**Total project value: USD 2.1 billion**

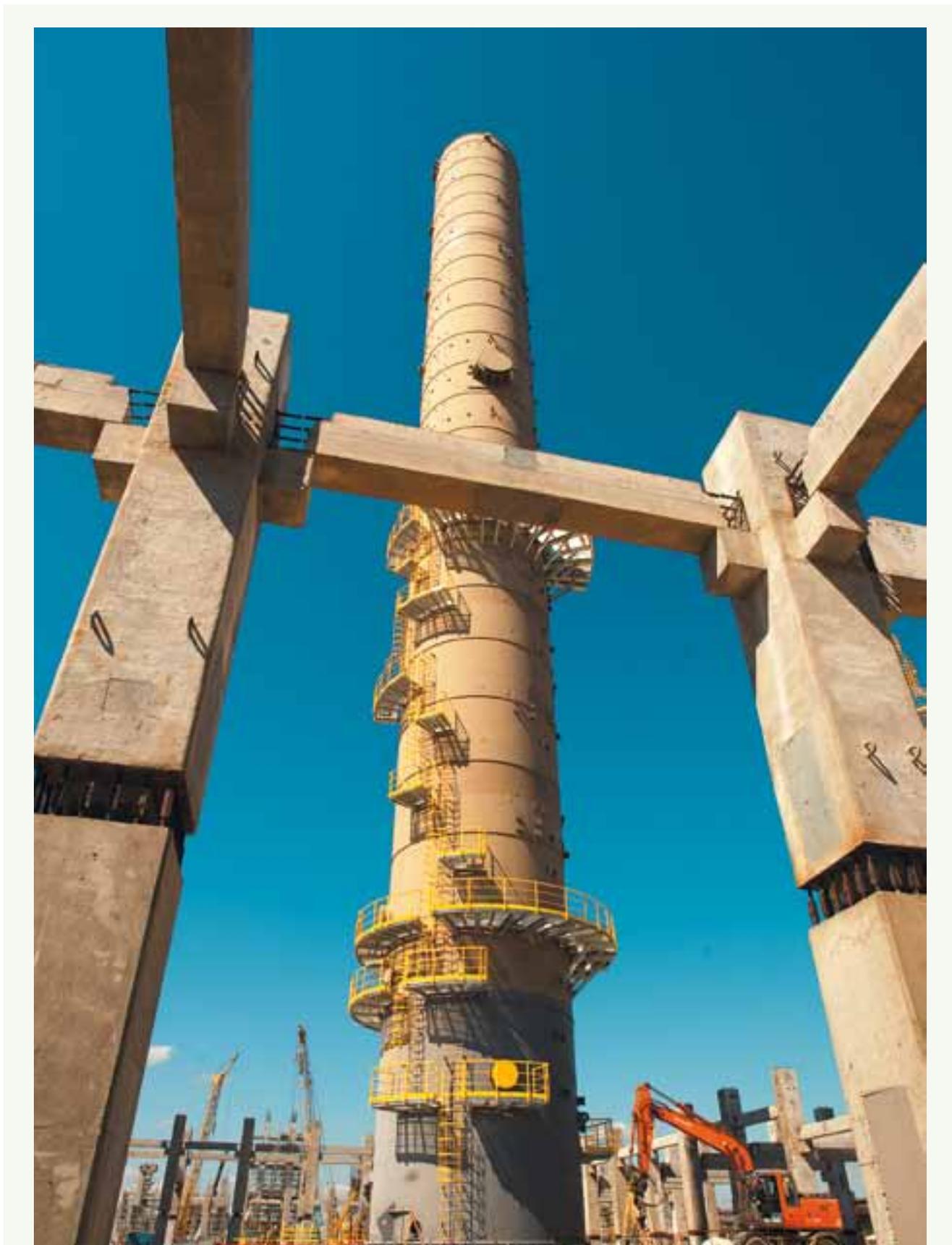
**Vnesheconombank's commitment: USD 1.4 billion**

**Borrower: Tobolsk-Polymer LLC**

**The project is being implemented by raising debt financing from Vnesheconombank and subsidies from Tyumen Region**

### Project Overview and Feasibility Justification

An integrated polypropylene plant with the productive capacity of 500 thousand tonnes per annum will help satisfy the ever-growing demand for polypropylene and PP products. Innovative engineering solutions will ensure both domestic and international competitiveness of the polypropylene manufactured in Tobolsk in terms of quality as well as production cost. The selection of a production site for the project implementation was driven by geographic proximity to the sources of raw materials and the availability of infrastructural reserves in Tobolsk which allow creating a deep conversion unit with a higher capacity.



The project delivery will allow increasing greatly the associated gas processing volumes, which will affect positively the environmental situation in the region.

### Most Important Aspects of Project Implementation

The construction site occupying 122 ha is located in the Tobolsk industrial area within the boundaries of the Tobolsk-Neftekhim petrochemical plant. The closest settlement is 4.5 km north-west of the project site; the nearest outdoor water body (Chistoye swamp) – 900 m north of the project site; the closest river (Irtys) – 9 km south. There are no environmentally important sites in proximity to the project. The project site is located within the existing industrial area and is therefore characterized by low level of environmental sensitivity to external effects. In this regard, the major environmental issue to be faced by the project is air quality during the operation phase. During the construction phase, air emissions are minimal and do not cause concern among experts.

Wastewater can become a significant environmental issue. The construction phase will not include service water generation and household wastewater will be utilized in septic tanks. All wastewater generated during the project operation phase will go to the industrial wastewater treatment facility of the petrochemical plant, which is a closed-cycle system which does not contact the environment. The capacity utilization rate of the water treatment facility is 50%; in the future, it will be able to treat the project wastewater. Therefore, the management of wastewater treatment is an issue of internal quality control rather than environmental protection.

Given that some 3,000 people will work at the facilities during the peak construction period, an important social issue is the protection of employees' health and safety.

### Russian and Foreign Requirements and Standards Used in Project Assessment

The project was assessed as to its compliance with the requirements of the Russian legislation and the applicable standards of international institutions, such as the International Financial Corporation, etc., the international treaties and generally accepted environmental protection principles of the Organization of Economic Cooperation and Development adopted by Russia.

### Measures for Assessing Potential Negative Social and Environmental Impacts of the Project

In 2008, the project underwent an independent environmental assessment in conformity with the Russian standards. Upon completion of assessment, independent experts concluded that the expected environmental impacts of the plant fell within the permissible standards and did not conflict the environmental protection laws. In 2010, social and environmental impact was reviewed in accordance with the international requirements. The plan of social and environmental protection activities and the plan of environmental monitoring activities were developed as part of social and environmental assessment.

### Measures Aimed at Minimizing the Project's Negative Social and Environmental Impacts

In 2008, the results of independent social and environmental assessment were submitted to public hearings in Tobolsk involving the representatives of local administration, legislative authorities, supervisory bodies, expert and public organizations. The hearings revealed a predominantly positive public attitude towards construction of the polypropylene plant. In 2008, the plan of public consultations and information disclosure was prepared.

In 2009, the project management company developed the Health, Safety and Environment (HSE) Action Plan, including methods for controlling design work aimed at minimizing harmful effects on the population and environment, ensuring safe and accident-free project implementation and eliminating or minimizing HSE risks associated with design. HSE requirements for the design, procurement and construction phases were developed and included in contracts. The compliance of contractors with all applicable requirements and approved plans is checked on a weekly basis through round checks and inspections.

Measures aimed at minimizing negative effects on the air during the project construction phase include dust catching; prohibiting the combustion of any materials and waste; ensuring compliance of the air pollutant emissions from the equipment, machinery and motor vehicles with the existing standards and specifications of manufacturers approved by sanitary bodies; abandoning any building materials which emit toxic and

carcinogenic substances into the atmosphere. During the plant operation phase, the schedule of preventive maintenance of gas treatment equipment will be developed; the operational efficiency of this equipment and ventilation systems will be controlled by a designated employee; it is planned to enter into a contract with the local office of the Federal Service for Hydrometeorology and Environmental Monitoring of the Russian Federation to be informed of the nearest adverse weather conditions; measures for reducing negative air impacts are provided for by the project under these conditions.

Since wastewater will go to the treatment facility of the Tobolsk-Neftekhim petrochemical plant, the social and environmental protection plan provides for measures such as monitoring the quality and quantity of water discharged into the Tobolsk-Neftekhim treatment facilities and requesting from the plant the information about feedwater treatment efficiency.

Until 2010, the aggregate environmental protection costs made RUB 13.0 million. In 2011, the planned costs in connection with environmental protection activities reached RUB 3.0 million.

ERM Eurasia, an independent supervisory consultant nominated by the project lenders, will perform an ongoing environmental monitoring throughout the project lifecycle: twice in the course of construction and once during the enterprise operation. In November 2010, the first environmental audit was conducted. It included the monitoring of air pollutions, wastewater discharges and waste generation, the analysis of construction site accident statistics, the assessment of management efficiency of Tobolsk-Polimer and EPC (health and safety contractors). Upon the audit conducted, the project was highly assessed by funding banks and export credit agencies.

## RECONSTRUCTION AND OPERATION OF THE PULKOVO INTERNATIONAL AIRPORT (STAGE I)

**Total project value (stage I): EUR 1.2 billion**

**Vnesheconombank's commitment:  
RUB 10.0 billion**

**Borrower: Northern Capital Gateway LLC**

**The project is delivered by Northern Capital Gateway LLC, the Government of St. Petersburg and OJSC Pulkovo Airport taking a PPP solution. The first PPP project in the airport segment; the first project in the domestic airport industry financed by a consortium of the largest development and commercial banks**

### Project Overview and Feasibility Justification

The project includes the construction of a new international passenger terminal in the Pulkovo Airport, upgrading of Pulkovo-1 passenger terminal, reconstruction and construction of engineering airport facilities, development of commercial infrastructure.

The project implementation will allow increasing greatly the passenger traffic and raising the level of services provided. Upon completion of design work, the Pulkovo Airport will become a leading modern air transport hub in the Northern Europe.

The reconstruction project involves the application of international security and airport technical equipment standards. The project is being delivered under environmental control in accordance with the Russian laws and leading international standards, thus not only minimizing adverse environmental impacts due to the new passenger terminal creation, but also significantly raising the environmental safety of the upgraded Pulkovo-1 terminal.

### Most Important Aspects of Project Implementation

There are certain environmental risks and implications inherent in the project implementation, namely:

- an increase in air traffic will cause the growth of pollutant emissions into the atmosphere;

the airport construction and operation aggravates the risk of hazardous substance leak during storage, transportation and disposal;

expanded airport area and intensified operations result in the growth of resource consumption.

Due to relative proximity of residential houses to the airport, the major possible side effects of the project on local population are noise, dust and waste associated with construction work and higher noise levels caused by an increase in air traffic.

#### Russian and Foreign Requirements and Standards Used in Project Assessment

Social and environmental expertise was performed with due regard for the Russian legislative requirements and the requirements of certain international financial institutions such as the European Bank for Reconstruction and Development (EBRD) and the International Financial Corporation (IFC).

#### Measures for Assessing Potential Negative Social and Environmental Impacts of the Project

The project underwent social and environmental expertise. The activities aimed at solving all identified problems and minimizing risks are recorded in the social and environmental protection plan developed by the company implementing the project or will be planned by the same company within the time limits specified in the plan.

Work was performed to identify the principal groups of stakeholders and to review the existing and required engagement activities. The review resulted in the plan of stakeholder engagement, including public hearings.

#### Measures Aimed at Minimizing the Project's Negative Social and Environmental Impacts

In 2010, the company's environmental policy was developed and published on the Pulkovo Airport's website. It is planned to implement environmental management system compliant with ISO 14001:2004.



Measures are planned to be taken to reduce the negative air impacts due to the construction works and an increase in the airport throughput capacity. In 2010, the program of air monitoring in the Pulkovo Airport was created. As part of the social and environmental protection plan, the sources of greenhouse gases were identified and the level of greenhouse gas emissions was calculated. The cooling agents used at the airport were inventoried and the respective management plan was prepared.

Measures for reducing the level of noise include additional residential glazing, decreasing the night use of appliances, using the runways most distant from residential houses at night, abandoning aircraft that create the most intense noise and assessing, on a regular basis, the airport background noise levels.

Hazardous substances and materials will be stored in specialized containers and premises; it is planned to develop a system for transporting flammable and antifreeze liquids to prevent leaks; to implement emergency response procedures, to locate emergency response equipment near hazardous facilities. In 2010, all hazardous substances used in the project delivery were inventoried, the respective management plan was prepared. Hazardous substance storage cabinets were audited, the respective upgrading plan was developed.

To avoid an overload of local drainage systems and sewerage water collecting systems, the necessary equipment for

storm and waste water gathering will be installed. Waste generated as a result of construction and airport operation should be stored using separate waste collection and specialized storage facilities; waste disposal services will be provided by licensed companies. In 2010, the process of developing waste management plan was initiated.

In the new airport terminal construction, due consideration is given to plans for raising power consumption efficiency: transition to energy-saving equipment is underway, it is planned to install automated lighting control systems and to replace the aluminum wiring with the copper one.

Stakeholders are duly informed of the outcomes of social and environmental protection activities under the project in line with the stakeholder engagement plan. In January 2010, St. Petersburg hosted 3 meetings with the general public. All proposals and comments received from the participants were considered and taken into account whenever possible. It is planned to hold individual meetings with various groups of stakeholders and to implement a mechanism for considering their complaints.

2010 witnessed the development of the company's personnel policy compliant with the Russian laws and the borrowers' requirements. Specifically, the procedure for considering the employees' complaints was established and implemented. Work is underway to create professional health and safety management system.

## Monitoring of Investment Projects Co-implemented by Vnesheconombank

A uniform monitoring system is governed by the Concept of Monitoring Investment Projects co-implemented by Vnesheconombank (hereinafter the "Concept"). The Concept provisions apply to all investment projects, including those aimed at supporting the exports of industrial products and services.

The Concept stipulates three types of monitoring:

- monitoring of the investment project implementation;
- financial monitoring;
- monitoring of the investment project efficiency.

The feasibility of this classification is driven by the need to exercise control over daily project operations, technical oversight of the project implementation, the fulfillment of financial obligations by the project participants, the targeted use of funds, as well as the final outcomes of these operations expressed in the achievement of goals and socio-economic effects.

The monitoring of achieving the social and economic performance indicators includes assessing employment rate changes in the region of project implementation, salary relative to the industry/region average, labor productivity levels, etc.

## Training of Professional Participants in Investment Projects Co-implemented by Development Institutions

For the purposes of informing stakeholders of the peculiarities of work performed by the Russian and foreign development institutions, the education project for the Training of Professional Participants in the Investment Projects Co-implemented by Development Institutions was developed with the expert support of Vnesheconombank and has been implemented since December 2009.

The project is intended to contribute to shaping a high-quality professional environment in the field of implementing large-scale long-term investment projects supported by development institutions and involves developing and assisting in the organization of various training events and programs for investment professionals, identifying talented youth showing interest in the investing activities.

**In 2010, 349 people from 36 regions of the Russian Federation participated in the education program for Training of Professional Participants in the Investment Projects that was co-arranged by development institutions**

Training under the project is offered in a variety of formats depending on the employees' competence levels and the intensity of their involvement in the investment projects and is based on the module system.

The basic project modules are as follows:

- Overview of the investment projects implemented by Vnesheconombank;
- Guidelines for determining the investment project efficiency indicators;
- Investment risk management;
- Specifics of assessing the efficiency of investment projects conforming to VEB's priorities;
- Strategic management of investment projects;
- Public-private partnership;
- Financing of the investment projects co-implemented by Vnesheconombank;

- Technology of investment project expertise.

The educational project is implemented to raise the efficiency of the Bank's investment procedures by ensuring quality preparation of requests for project investment. Favourable conditions are created for developing Vnesheconombank's expert potential. Effective interaction with Russia's leading higher education institutions to introduce new professional specializations and create joint chairs on investment policies is underway.

In 2010, Vnesheconombank's experts participated in holding:

- master class for the executives of the Bank's partners;
- advanced training courses "Implementation of Investment Projects to Enhance Energy Efficiency, Energy Saving and Develop Energy Infrastructure" at the State University – Higher School of Economics;
- advanced training courses "Investment in Development Projects" at the Russian Academy of Civil Service under the President of the Russian Federation;
- Vnesheconombank's topical day within the innovative campaign "Seliger-2010" all-Russian Youth Forum;
- regional practical conference "Vnesheconombank: Priority Business Lines" held in Kislovodsk.

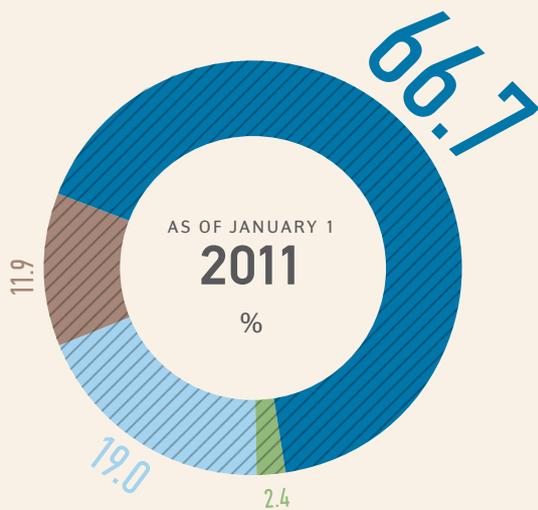
Detailed information about the educational project is available from Vnesheconombank's website at: <http://veb.ru/strategy/edu/>.

## Assessment of Counterparties Interaction Efficiency: Investment Projects in Progress

In 2010, to assess the efficiency of interaction between the Bank and its counterparties within the framework of investment projects at delivery stage, some of the Bank's key partners were asked to complete questionnaires.

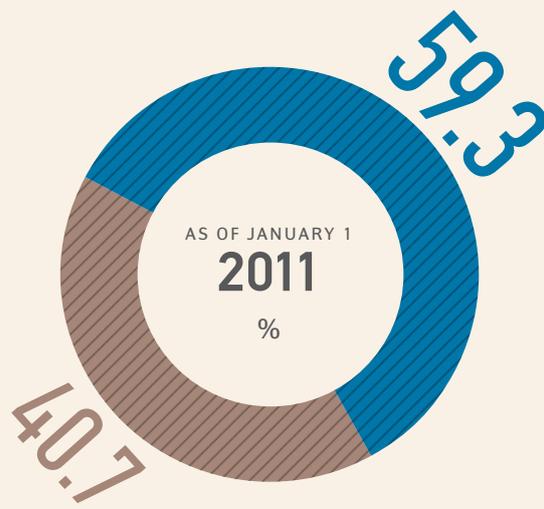
**More than 91% of VEB's questioned business partners assessed the quality of cooperation with Vnesheconombank as "good" and "excellent" on a five-point scale**

Stages of Implementation of Investment Projects and Export Support Projects Approved by Vnesheconombank's Governing Bodies in 2009 as of January 1, 2011 (%)



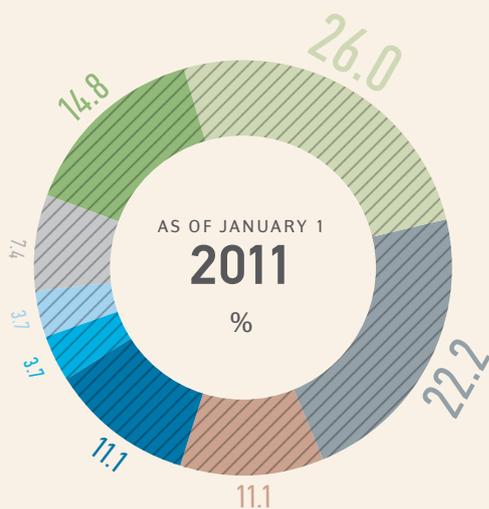
- Financing is underway
- The guarantee was provided
- Financing has not been opened
- The loan was repaid

Stages of Implementation of Investment Projects and Export Support Projects Approved by Vnesheconombank's Governing Bodies in 2010 as of January 1, 2011 (%)



- Financing has started
- Financing has not been opened

Breakdown by Regions of Investment Projects and Export Support Projects Approved by Vnesheconombank's Governing Bodies in 2010 (as % of the Total Number of Projects)



- Far Eastern Federal District
- Interregional projects
- Volga Federal District
- Northwestern Federal District
- North Caucasian Federal District
- Siberian Federal District
- Central Federal District
- Southern Federal District

Construction of industrial facilities  
for production of a new generation  
of Yamz-530 engines

## INVESTMENT IN SUSTAINABLE DEVELOPMENT



### ECONOMY

Vnesheconombank's commitment

# 5.8

RUB bn



### ENVIRONMENT

Production of innovative engines meeting  
**Euro-4 and Euro-5**  
environmental standards

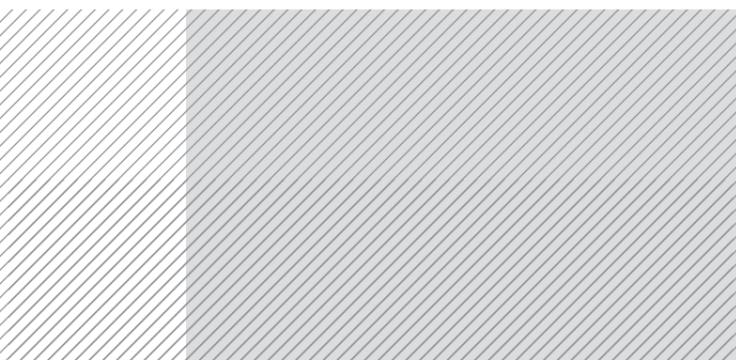


### SOCIETY

Aiming at creating

# 1250

new jobs



However, certain respondents came up with proposals designed to raise the efficiency of mutual cooperation. The major proposals concerned shortening the time limits for project documentation approval; developing common tactics to meet challenging issues; raising the promptness of the management process and increasing the efficiency of projects underway; preparing a clearer list of requirements for project support base. All proposals were taken into consideration and are being implemented.

### Vnesheconombank's Investment Projects Approved by the Governing Bodies in 2009 and 2010

Out of 42 projects approved by VEB's governing bodies in 2009 (see Vnesheconombank's Sustainability Report 2009), 28 projects are being financed, 1 project is backed by the Bank's guarantee, the loans extended under 5 projects have been repaid. With respect to 8 projects, as of January 1, 2011, financing had not been opened mainly due to non-performance of conditions precedent (see the chart on Page 37).

In 2010, Vnesheconombank's governing bodies approved 27 investment projects. As of January 1, 2011, the financing of 16 projects was underway.

Investment projects involving Vnesheconombank are carried out in the areas where state presence is necessary. These include infrastructure procurement, innovations, projects intended for optimizing natural resource utilization, support for exports of products and services. Each project is aimed at solving a wide range of problems (both social and environmental) using state-of-the-art technologies.

### Innovative Development

State-of-the-art products can not be manufactured unless we apply innovative environmental and energy efficient technologies. Vnesheconombank contributes to fostering Russia's innovative development by financing investment projects in knowledge-intensive branches (sectors) of economy, such as electronics; strategic computer technologies and software; development and production of medical equipment, biotechnologies, etc.

In classifying projects as innovative, Vnesheconombank applies the following criteria:

■ the project ensures the release of products and/or services with the technical and economic parameters matching or exceeding the global standard; their sale is export-oriented or intended to substitute import in the domestic market;

■ the project is intended for introducing new production methods ensuring that the product and/or service concerned accesses the market only if production efficiency increases;

■ the project implies implementing new technologies classified as top-priority ones for science and technology development and provided they are included in the list of critically important domestic technologies.

As of January 1, 2011, innovative projects accounted for 16.1% of Vnesheconombank's loan portfolio



In 2010, Vnesheconombank's governing bodies approved the project designed to develop supercomputer solutions and services for a subsequent integration in the production processes and exports to the global market.

The project enables to accelerate and optimize the cost of introducing innovations in the strategic branches of the Russian economy and to create highly productive software for scientific, engineering, economic and statistical calculations and modeling.

### Energy Efficiency Improvement and Energy Saving

As of January 1, 2011, Vnesheconombank's governing bodies approved the Bank's participation in 28 projects intended for enhancing energy efficiency and energy saving totaling RUB 375.9 billion, Vnesheconombank's commitment — RUB 240.6 billion.

2010 saw the commencement of a joint program of the International Bank for Reconstruction and Development (IBRD) and Vnesheconombank for the targeted financing of projects designed to enhance energy efficiency and resource saving in Russia (hereinafter the "Program").

### Awards for Organizing Project Financing in 2010

Category	Award Organizer
<b>Project for Modernization of the Khabarovsk oil Refinery</b> <ul style="list-style-type: none"> <li>Refining Deal of the Year</li> <li>Best Deal 2010</li> </ul>	<ul style="list-style-type: none"> <li>Project Finance</li> <li>Trade Finance</li> </ul>
<b>Project on Construction of the "Tobolsk Polymer" Complex</b> <ul style="list-style-type: none"> <li>European Petrochemicals Deal of the Year</li> <li>Best Deal 2010</li> <li>Best Chemicals Deal 2010 in CEE</li> <li>Best Deal 2010 in the "Borrower" and "Borrower and Lender" categories</li> </ul>	<ul style="list-style-type: none"> <li>Project Finance</li> <li>Trade Finance</li> <li>EMEA Finance</li> <li>Global Trade Review</li> </ul>
<b>Project on Reconstruction of the Pulkovo Airport</b> <ul style="list-style-type: none"> <li>European Airport Deal of the Year</li> </ul>	<ul style="list-style-type: none"> <li>Project Finance</li> </ul>

The Program involves raising from IBRD a loan of 300.0 million for a period of 18 years, fully secured by the Russian Federation sovereign guarantee.

The conditions for Vnesheconombank's participation in the program include co-financing in the amount comparable with the borrowed resources.

The Program includes raising a grant of USD 22.7 million from the Global Environmental Fund (GEF) to ensure the technical component of information and analytical support for energy saving and energy efficiency enhancement policy in the Russian Federation.

Participation in the Program will allow Vnesheconombank's borrowers from among the project initiators to:

- raise additional financial resources from Vnesheconombank, the World Bank and the Global Environmental Fund for the purposes of implementing energy efficiency enhancement projects in Russia;

- receive technical assistance from the World Bank on issues related to the development and introduction of new banking products to finance energy saving projects and to monitor energy saving and energy efficiency

enhancement projects with due consideration for the specifics of various branches of economy;

- get an opportunity to use the experience of and engage the Russian Energy Agency for the purposes of appropriate expertise, organizational and technical assistance in selecting energy saving and energy efficiency enhancement projects.

### Vnesheconombank's Awards for Organizing Project Financing in the Real Sector and Transport Infrastructure

In 2010, reputable UK business periodicals bestowed awards on three projects involving Vnesheconombank (see the table above).

One of the principal requirements for nominees is that all transactions under the projects nominated for awards are to be backed by guarantees and executed in 2010. The competition organizers highlighted a large scope, promising outlook and professional procurement of the Bank's projects in the real sector and transport infrastructure development.

## 2.4

## Upgrading of Single-Industry Towns

The Government of the Russian Federation devised a national program for the development of single-industry towns aiming to diversify their economy and create new jobs. Vnesheconombank coordinates work on drafting comprehensive investment plans for the upgrading of single-industry towns and arranges financial support for investment projects that would offer business alternatives and new jobs to urban population should the core enterprises reduce the workplaces.

#### State Support for Single-Industry Towns

The financial and economic crisis of 2008–2010 resulted, among other things, in the aggravation of major problems faced by the Russian single-industry towns, including strong dependence of the income portion of the municipal budget on the core enterprise's operations, considerable deterioration of the public utility infrastructure, low business activity, homogenous professional structure of the population, high unemployment rate and low living standards. The situation in single-industry towns remained the same even after the economic rebound in Russia.

As part of implementing the major lines of crisis management policies of the RF Government for 2010, in line with the Instruction of the RF Government as a follow-up to the Russian President's Address to the Federal Assembly in 2010, the public authorities launched an integrated state program for upgrading single-industry towns (hereinafter the "Program").

In 2009, the RF Ministry of Regional Development defined the following criteria for classifying populated areas as single-industry settlements:

- the availability of one or more enterprises operating within a common production and engineering process and employing, on a full-time basis, more than 25% of economically active population;

the availability of one or more enterprises in a populated area operating within a common production and engineering process and accounting for more than 50% of industrial output.

The approved criteria were used to prepare the list of 335 municipalities classified as single-industry ones.

In December 2009, the RF Government approved the list of 25 top-priority (pilot) single-industry towns seeking state aid from the federal budget; in 2010 – the list of 10 additional single-industry towns.

The principal criteria for selecting single-industry towns for priority inclusion in the Program were high unemployment rates and social tensions.

In 2010, 35 towns (25 pilot and 10 additional ones) received RUB 22.7 billion from the federal budget under the Program (see the chart right).

Allocations and budget loans were extended to regions for introducing measures aimed at launching large-scale long-term investment projects in single-industry towns. That greatly contributes to diversification of the economy, facilitates manufacturing high value-added products and creating new jobs. Typically, it implies the creation or upgrading of state-owned infrastructure (such as utility networks, roads, electric power facilities, etc.) in a single-industry town.

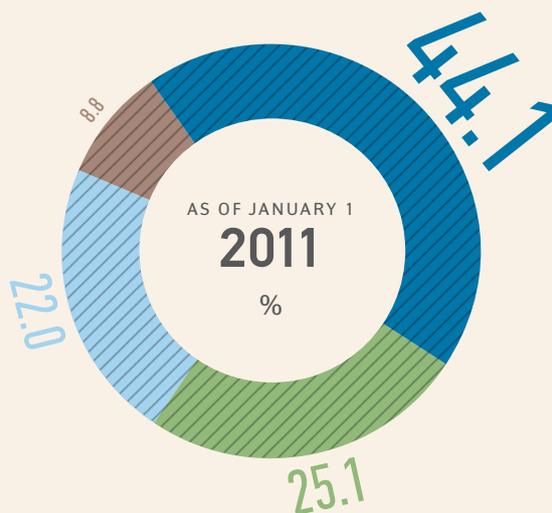
The most popular solution for the economic modernization of single-industry towns was the creation of industrial and technological parks on the newly created sites and on industrial land released for new users (Nizhny Tagil, Toliatti, Leninsk-Kuznetsky, Chistopol, Gavrilov Yam, etc.).

As a result of dedicated efforts, the numbers of the unemployed in single-industry towns went down from 298.8 thousand people (as of March 1, 2010) to 179.8 thousand people (as of January 1, 2011)<sup>4</sup>.

It is expected that by 2015 the implementation of comprehensive plans to modernize single-industry towns will create up to 200 thousand full-time jobs; on average, the share of key enterprises in the economy of single-industry towns will decrease from 60% to 40%

4. According to the Ministry of Healthcare and Social Development of the Russian Federation.

### Areas of Support for Single-Industry Towns in 2010 (% of Allocations)\*



- Allocations to regions to launch investment projects intended for economic diversification of single-industry towns
- Budget loans to regions to launch investment projects intended for economic diversification of single-industry towns
- Subsidies for real property renovation and rehousing activities
- Subsidies under SME development programs

\* According to the Ministry of Regional Development of the Russian Federation.

The mechanism for formulating the state support agenda for single-industry towns comprises several phases: from the development of Comprehensive Investment Plan (CIP) at municipal level, approval of CIP at the level of the RF constituent entity to the resolution of the Government of the Russian Federation on funds allocation.

### Vnesheconombank's Participation in Program Implementation

Vnesheconombank's engagement in the Program envisages:

work coordination and involvement in preparing resolutions on state support for single-industry towns;

assessment and subsequent financing of investment projects for the modernization of single-industry towns;

In December 2009, to coordinate work for restructuring and modernizing the economy of single-industry towns, a Working Group for the Modernization of Single-industry Towns under the Government Commission for Economic Development and Integration (hereinafter the "Working Group") was established. It is composed of the representatives of stakeholders from among federal public authorities, state corporations, banks co-owned by the state. Deputy Chairman of Vnesheconombank chairs the Working Group.

In 2010, the Working Group held 36 meetings and prepared proposals concerning the state support for comprehensive plans for developing 35 single-industry towns. All the proposals of the Working Group were approved by the RF Government and delivered the first program-based approach to solving the problems faced by single-industry towns through the mechanism of prompt decision-making supported at the regional level.

Since December 2009, Vnesheconombank has been financing investment projects in single-industry towns.

In 2010, Vnesheconombank received data on 237 investment projects related to the single-industry towns agenda. Investment projects failing to meet the requirements of the Bank's Memorandum on Financial Policies are forwarded to subsidiary banks, namely: CJSC GLOBEXBANK, OJSC SVYAZ-BANK, OJSC RUSSIAN DEVELOPMENT BANK (RDB) and OJSC NTB (a subsidiary bank of CJSC GLOBEXBANK).

As of January 1, 2011, Vnesheconombank was scrutinizing 19 investment projects (including 6 projects from the pilot list of single-industry towns) worth a total of RUB 170.2 billion. Vnesheconombank's proposed commitment — RUB 147.5 billion. In 2010, Vnesheconombank started financing of 7 projects totaling RUB 52.2 billion, the Bank's commitment — RUB 40.5 billion.

CIP implementation with regard to control over performance targets is co-monitored by the Ministry of Regional Development of the Russian Federation and the Working Group. Control over the targeted spending of allocated funds is co-exercised by the RF constituent entities and

the Ministry of Finance based on agreements with the constituent entities.

The automated software module is being developed to exercise ongoing control over preparation and delivery of investment projects in single-industry towns with Vnesheconombank's participation.

## 2.5

## Support for Small- and Medium-Sized Enterprises

Financial support for Small- and Medium-Sized Enterprises (“SME”) is a crucial element of the state investment policy. SMEs provide jobs for a considerable portion of economically active population and generate a significant percentage of the national output. SME operations contribute to active development and introduction of new products, processes and technologies and enhance the national economy competitiveness.

#### State Policy for SME Development: Vnesheconombank’s Tasks and Goals

The Index OPORA 2010–2011<sup>5</sup> research revealed that the predominant problems highlighted by small and medium-sized companies in 2009 and 2010 were the lack of qualified workforce, purchasing power problems, limited access to financing and the existing infrastructure constraints.

5. The full text of the study is available from: [http://opora.ru/upload/Reserch/Index\\_2011\\_corr\\_040711\\_sec.pdf](http://opora.ru/upload/Reserch/Index_2011_corr_040711_sec.pdf).

According to the Ministry of Economic Development of the Russian Federation, SME breakdown by industry is characterized by high percentage of wholesalers and retailers, accounting for some 30% of jobs in SMEs (approximately 3.5 million people).

The Government of the Russian Federation set the objectives for further strengthening the role of small businesses in the domestic economy. According to the forecast of the Ministry of Economic Development of the Russian Federation, by late 2012, it is planned to achieve the following key indicators:

- increase the share of SMEs representing the non-commercial segment (including the production and construction sectors) to 40%;

- raise the share of small enterprises’ output in GDP to 29%;

- increase the density of small enterprises to 17 SMEs per one thousand people.

Vnesheconombank is the major financial development institution through which the Government of the Russian Federation implements the national SME support policy. The objectives of Vnesheconombank are as follows:

- to extend to creditworthy SMEs long-term affordable loan resources and other types of aid throughout the Russian Federation;

to change the sectoral structure of SMEs by giving financial priority to non-commercial and innovative sectors.

The accomplishment of these objectives is directly contingent on developing the SME support financial infrastructure through which the resources are allocated and delivered to their end recipients, namely: small and medium businesses.

### Mechanism of Implementing State SME Support Program

Vnesheconombank's programs rely on the principles of integrated approach to solving the existing problems and creating SMEs-friendly climate.

Vnesheconombank renders support to SMEs through:

implementing specialized programs through its subsidiary bank OJSC RUSSIAN DEVELOPMENT BANK (RDB)<sup>6</sup> (RDB);

using the lending capacities of other subsidiaries and associated companies;

raising resources from the international and foreign financial institutions;

developing mechanisms enabling continuous financing of innovative projects of small and medium-sized enterprises throughout the innovations cycle.

As of January 1, 2011, the SME support program covered 81 constituent entities of the Russian Federation, with the exception of the Nenets Autonomous District and the Chechen Republic. A total of RUB 49.0 billion was channeled by Vnesheconombank for SME support program implementation

The total amount of guarantees, sureties and loans to be extended to the banks and corporate entities supporting SMEs is set on an annual basis by the Bank's Supervisory Board.

6. On April 4, 2011, the short company name of OJSC RUSSIAN DEVELOPMENT BANK (RDB) was changed to OJSC SME Bank.

Vnesheconombank's procedure for rendering financial support for SMEs is approved by VEB's Supervisory Board of Vnesheconombank.

Vnesheconombank practises a comprehensive approach to control over targeted use of funds allocated for SME support. RDB submits to the Ministry of Economic Development of the Russian Federation and the Bank's Board reports on implementation of SME financial support program and on the outcomes of RDB's monitoring of targeted use of allocated funds (number of audits, fulfillment of contractual terms and conditions and the targeted use of funds).

SME financial support programs are co-implemented by the Bank and a broader range of partners, including federal and regional authorities (the RF Ministry of Economic Development, Ministry of Finance, Ministry of Regional Development, the Interregional Banking Council under the Chairman of the Council of Federation, regional committees on SME development), public organizations (OPORA RUSSIA, OPORA-CREDIT, the Association of Russian Banks, the Association of Regional Banks of Russia, the Chamber of Commerce and Industry of the Russian Federation), foreign development institutions (EBRD, IFC, KfW, SBA, etc.).

### SME Support Priorities

In 2010, the President of Russia set the objective of expanding SME support in innovations and high tech.

With a view to supporting SME projects in the innovations segment, in April 2010, Vnesheconombank initiated the execution of a multilateral Agreement for Interaction Among Development Institutions and Stakeholders in Ensuring Continuous Financing of SME Innovative Projects throughout the Innovations Lifecycle (hereinafter the "Agreement").

The parties to the Agreement, in addition to Vnesheconombank, are RDB, Rosnanotekh, Russian Venture Company, the Foundation for Development of Small Forms of Enterprises in Science and Engineering, Russian Association of Venture Financing, Moscow Interbank Currency Exchange, All-Russian non-governmental organization of small and medium business OPORA RUSSIA and Federal Youth Agency. The Agreement underlies the mechanism,

which allows prompt communication of information on the projects in progress and the selection of project support instruments best suited for a particular development phase of the innovative company.

The principal outcomes of the Agreement implementation in 2010 were as follows:

- enhanced interaction among development institutions in exchanging information on the projects underway;
- fine-tuning of models for joint project support using the existing investment instruments;
- increased awareness of potential applicants as regards the conditions for obtaining financial support for implementation of innovative projects;
- contracting specialized development institutions to support more than 70 innovative projects.

In addition, to support projects in the innovations segment, the program of Financing for Innovations and Modernization was developed (through RDB). It is intended for SMEs whose operations conform to scientific, technological and economic modernization priorities. For the program details, see Section 4.2 OJSC RUSSIAN DEVELOPMENT BANK (RDB) on page 81.

In accordance with Vnesheconombank's Development Strategy for the Period from 2008 to 2012, financial support for SMEs takes full account of state priorities in SME support and gives preference to the projects:

- aimed at financing the creation and development of SME support infrastructure;
- implemented in top-priority sectors of economy specified by the federal authorities of the Russian Federation and the constituent entities of the Russian Federation;
- implemented in science, innovations and high tech;
- designed for top-priority national projects in healthcare, education, housing construction, agriculture, demography;
- contributing to the development of infrastructure in the RF constituent entities;

- implemented in regions lacking financial resources;

- export-oriented and import-substituting projects aimed at increasing SME competitiveness in the external markets.

### SME Support Program 2010: Social Efficiency

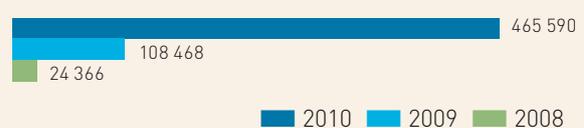
According to RDB's data, as of January 1, 2011, the total amount of aid for SMEs exceeded RUB 120.0 billion and the number of partners under the SME Support Program grew to 292. The outcomes were as follows:

- products and services manufactured/provided by SMEs financed under the program, as of the end of 2010, were worth RUB 593.8 billion;
- taxes paid by SMEs to the budgets of various levels amounted to RUB 17.8 billion;
- support to enterprises enabled them to maintain the number of jobs and create new ones (in 2009, they employed more than 108 thousand people, as of 2010 year-end, over 465 thousand people).

#### Proceeds of SMEs Supported under RDB's Programs (RUB in thousands)



#### Number of Jobs Created and/or Maintained by SMEs Supported under RDB's Programs (unit)



## 2.6

Promoting the PPP Mechanisms  
in the Russian Federation

Creating and upgrading infrastructure, which underpins the provision of transportation, public utility and other services is a key state priority. However, due to the public funds constraints, the state has limited opportunities for infrastructure procurement. In this context, public-private partnership (PPP) might serve as an instrument for increasing the private sector leverage and for raising off-budget financing to deliver infrastructure projects on the basis of appropriate allocation of risks, competences and commitments.

PPP Projects: Investment  
Consulting Services

In 2010, Directive of the RF Government No. 1372-r dated August 17, 2010 designated Vnesheconombank as the sole provider of investment consulting services to address the public needs of the RF constituent entities in procurement of investment projects on the PPP basis.

The demand from public authorities of the RF constituent entities for VEB's investment consulting services on PPP issues is motivated by:

- intensified application of various PPP models to develop regional infrastructure within the stringent budget constraints;
- enhanced investment attractiveness of infrastructure projects initiated by public authorities;
- enhanced accessibility of competitive PPP bid tenders conducted by public authorities to engage private investors.

To elaborate the PPP-related laws and regulations, Vnesheconombank, in cooperation with the Expert Council on Public-Private Partnership of the State Duma Committee on Economic Policy and Entrepreneurship, drafted a model law for the RF constituent entities on partici-

participation in PPPs. By late 2010, the respective laws were adopted in 33 regions

Investment projects eligible for VEB's investment consulting contracts include those delivered on the PPP basis using:

- the RF Investment Fund's resources in compliance with the Rules of Budget Allocation of the Investment Fund of the Russian Federation;

- mechanisms of concession agreements;

- mechanisms applicable in special economic zones (SEZ);

- instruments provided for by the laws of the RF constituent entities specifying the forms of their participation in PPP projects.

Vnesheconombank's engagement in advisory services would not entail the Bank's mandatory involvement in further project financing.

### Program for Financial Assistance to Regional and Municipal Project Development

In 2010, Vnesheconombank developed a new instrument to assist public authorities in PPP project procurement, namely: the program for Financial Assistance to Regional and Municipal Project Development (FARMPD).

In December 2010, the Bank's Supervisory Board adopted a resolution on implementing in 2011-2015 the program of financial assistance to public authorities on a fund-recoupment basis in procuring regional and urban development projects worth RUB 10.0 billion (RUB 2.0 billion per annum), including the preparation of feasibility studies, design and estimate documentation, etc.

The Program envisages support for PPP projects related to:

- securing environmental safety (water supply and sanitation systems, water treatment plants, waste management infrastructure);

- enhancing energy efficiency of municipal infrastructure (heating supply, street lighting and municipal real estate fund);

- developing the infrastructure of sites intended for affordable housing and technoparks construction;

- developing transport infrastructure;

- developing social infrastructure for education, healthcare, sports and culture;

- developing public and municipal administration infrastructure (multi-purpose administrative centres, e-Government, broadband Internet access infrastructure).

The program will result in a raft of quality PPP projects.

### Vnesheconombank's Consulting Services: Major Outcomes

VEB's provision of investment consulting services to public authorities in PPP projects procurement is assessed based on the following criteria:

- number of PPP projects in the Russian Federation at pre-procurement stage, including those implemented with VEB's participation;

As of January 1, 2011, PPP projects accounted for 12.9% of the total portfolio of projects financed by Vnesheconombank

- revenues from investment consulting services.

As of January 1, 2011, 26 constituent entities of the Russian Federation and municipalities (supported by the RF constituent entities) submitted requests to the Bank for project expertise or investment consulting services with respect to 54 projects.

One of the first large-scale domestic PPP projects in the social sector is the New School of Yugra Project. In 2010, Vnesheconombank and the Government of Khanty-Mansiysk Autonomous District – Ugra entered into a state contract for provision of investment consulting services under the New School of Yugra Project that envisages construction of 77 schools and kindergartens

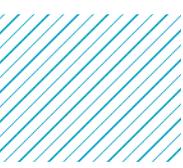
In the reporting year, Vnesheconombank, as a financial adviser to the RF Government on preparing expert opinions on the conformity of investment applications for budget allocations from the RF Investment Fund with the existing budget, financial and cost efficiency criteria, considered 6 applications from project initiators. Positive opinions with commentaries were given with respect to 5 projects, one project was returned to project initiator for revision and improvement. During 2010, Vnesheconombank monitored, on a quarterly basis, the fulfillment of contractual commitments under projects delivered drawing on the Investment Fund resources (16 investors; 12 investment contracts).

### Raising Awareness of PPP Project Market Participants

To ensure training and professional capacity building of PPP specialists, Vnesheconombank cooperates with higher education institutions (Russian Academy of Public Service under the President of the Russian Federation, Higher School of Economics National Research University, Financial University under the Government of the Russian Federation). PPP Guidance documents were developed for higher education institutions and training of federal and municipal staff.

In 2010, to create a platform for continuous training of PPP market participants, VEB and the Financial University inaugurated a special PPP Chair. Starting from 2011–2012, the Chair will arrange comprehensive PPP training.

In 2010, Vnesheconombank organized 16 workshops to ensure training of public and municipal staff on PPP issues. The workshops were attended by more than 1,000 people from 36 constituent entities of the Russian Federation.



In 2010, to facilitate the PPP market development in Russia, enhance the awareness of its participants, promote the use of PPP instruments and create VEB's expert platform, the Bank launched a website on Public-Private Partnership in Russia. ([www.pppinrussia.ru](http://www.pppinrussia.ru))

# 2.7

## Pension Savings Investment

Since 2003, Vnesheconombank has been acting as the State Trust Management Company (STMC) to presently manage 81% of the total pension savings of the Russian Federation citizens. However, unlike other management companies and non-governmental pension funds aiming to maximize income, STMC seeks to safeguard pension savings and operates within the established legislative procedures.

### Disclosure of Information on Investment Outcomes

The transparency of the STMC activities and public availability of the information on the outcomes of investing the accumulative part of labour pensions are preconditions for strengthening the confidence of population in both the STMC and the pension insurance system in general.

In conformity with the Standards of Disclosure of Information on the Investment of Pension Savings approved by the RF Ministry of Finance, Vnesheconombank, at established intervals, publishes information on the outcomes of the pension savings investment on Vnesheconombank's website at: <http://veb.ru/agent/pension/>.

Vnesheconombank would not arrange any special awareness raising campaigns for the Russian Federation citizens regarding the STMC options. This objective falls under the competences of the Pension Fund of the Russian Federation. However, individuals can request information from the Call Center of Vnesheconombank, which promptly responds to the requests submitted to Vnesheconombank by individuals concerning the STMC activities.

## List of Instruments Eligible for Investment

The pension savings involved in trust management by the STMC as of January 1, 2011, were worth RUB 740.22 billion

According to Investfunds ([www.investfunds.ru](http://www.investfunds.ru)), the share of the STMC accounted for 81% of the total amount of the pension savings under trust management by the management companies and non-governmental pension funds. The share of the STMC went down from 84% to 81% year-on-year due to an awareness raising campaign launched by the Pension Fund of the Russian Federation and non-governmental pension funds and managing companies, as well as due to more active selection by individuals of a private management company or non-governmental pension fund.

### The Share of the STMC in Total Value of Pension Savings



In 2010, the list of instruments eligible for pension savings investment remained unchanged. Given the fact that the above-mentioned list did not broaden significantly until late 2009, the intense process of pension savings investment in the new instruments started in 2010. In the reporting period, the market value of assets acquired through investment in new instruments eligible for investment witnessed a considerable increase from RUB 17.79 billion (4% of the portfolio's market value) to RUB 126.27 billion (17% of the portfolio's market value).

Vnesheconombank's requirements, as the STMC, to issuers of securities qualifying for investment are specified in Federal Law No. 111-FZ of July 24, 2002, "On Investing Funds for Financing Accumulative Part of Labour Pensions in the Russian Federation", the investment

declarations of the STMC and other regulations of the Government of the Russian Federation. Specifically, legislative requirements include high creditworthiness rating reflecting the corporate governance level of the issuer.

As of 2010 year-end, investment yield of pension savings in the STMC's extended investment portfolio was 8.17%; in the investment portfolio of the STMC's government securities – 7.62%.

## Program for Vnesheconombank's Investment in Affordable Housing Construction and Home Mortgages

In 2010, the Resolution of the Supervisory Board of Vnesheconombank approved the Program of Vnesheconombank's Investment in Affordable Housing Construction and Mortgage Lending Projects from 2010 to 2013 (hereinafter the "Program") aimed at reducing the interest rates on mortgage loans extended to the Russian citizens for purchasing new housing down to 11% per annum.

To achieve the goal, it was decided to invest the total of RUB 250.0 billion, namely: RUB 160.0 billion pension savings from the extended investment portfolio of the State Trust Management Company; Vnesheconombank's proprietary funds of RUB 50.0 billion; resources from the National Wealth Fund of RUB 40.0 billion.

The funds declared under the Program will be used for both repurchasing the mortgage-backed bonds issued by commercial banks and specialized institutions and financing AHML.

The Program implementation is intended for encouraging the mortgage market, increasing demand for mortgage loans by reducing the applicable interest rates for borrowers through securitization of the mortgage loans in compliance with the fundamental principles of pension savings investment, such as credibility, liquidity, diversification and profitability.

As of the end of 2010, the Program included 11 participants from among commercial banks and specialized mortgage institutions. The total value of requests for purchasing mortgage-backed bonds issued by Program

participants confirmed by Vnesheconombank was RUB 150.0 billion (RUB 100.0 billion pension savings and RUB 50.0 billion proprietary funds of Vnesheconombank), which does not exceed the upper limit established by the Supervisory Board.



The Program is designed to stimulate the mortgage market, encourage demand for mortgage loans by means of decreasing mortgage rates through the mechanism of mortgage loans securitization.

As of January 1, 2011, the mortgage loans extended by the banks participating in the Program totaled RUB 11.602 billion that accounts, according to expert estimates, for about 30% of the total amount of mortgage loans extended in 2010 for home purchasing in the primary market

The Program stipulates extending the bulk of the mortgage loans in 2011 or 2012. Taking into account loan securitization time limits, mortgage bonds will be redeemed by Vnesheconombank mainly in 2012–2013.

In accordance with the Program, Vnesheconombank purchases using pension savings up to 70% of the total amount of AHML's bonds secured by the state guarantee. In 2010, AHML registered 5 issues of state-backed bonds worth RUB 36.0 billion, placed 2 issues worth RUB 15.0 billion, purchased from Vnesheconombank using pension savings 70% of issues worth RUB 10.5 billion.

Given that protecting the interests of the RF insured citizens is a top priority, the use of funds from the STMC's extended investment portfolio as long-term financial resources for the real sector will drive the nationwide mortgage projects forward.

## 2.8

## Charity and Volunteering

Charity is an important component of Vnesheconombank's engagement in social development. The Bank renders financial aid to programs comprising healthcare, social support for citizens and the preservation of cultural heritage. Most programs have been underway for many years: support for the Research Institute of Children Oncology and Hematology named after N.N.Blokhin, the Academy of Young Singers of the Mariinsky Theater, the Pyotr Fomenko Studio Theater in Moscow. To involve the employees in social work, Vnesheconombank launched corporate volunteer movement.

### Charity Management

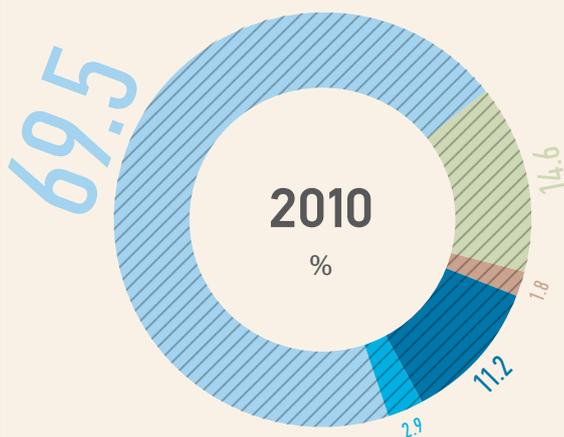
Vnesheconombank's charity policy is implemented in accordance with the Bank's Memorandum on Financial Policies and the Regulations on the Charity Commission of Vnesheconombank. In formulating its charity agenda, Vnesheconombank is governed by the Federal Law "On Charity and Charitable Organizations".

In 2010, top-priority areas of the Bank's charitable activities were as follows: support for science, education, arts and culture, assistance to the Russian Orthodox Church (renovation of cathedrals of cultural and historic value), healthcare institutions (procurement of medical equipment) and public organizations supporting the disadvantaged segments, such as the veterans of the Great Patriotic War, the disabled and orphans.

The charity program 2010 included new beneficiaries:

- Presidential Library named after Boris Yeltsin (Federal Government Budgetary Institution);
- Belovezhskaya Pushcha National Park (Government Environmental Institution);
- Russia-2018 Football World Cup Bid Committee (Autonomous Non-profit-making Organization), which ensured Russia's participation in the 2018 FIFA World Cup competition;
- Trinity Orthodox School of the Kazan Icon of the Mother of God Cathedral in the village of Puchkovo;
- John the Baptist Cathedral in the village of Butyrki, Yaroslavl Region;
- Volleygrad Training and Health Treatment Center.

Areas of Charity Activities in 2010  
(as % of Allocations)



- Healthcare and social support for individuals
- Sport of records
- Science, education, arts and culture
- Support for the Russian Orthodox Church
- Environmental protection projects

Areas of Volunteer Activities in 2010



- Assisting children of the Voskresensk orphanage
- Donor initiatives
- Easter initiatives
- Assisting people injured in fires
- Assisting employees and their close relatives

All charitable projects are financed using the Bank's profit. The program of Vnesheconombank's charitable activities is prepared in Q4 every year and approved by the Supervisory Board of Vnesheconombank.

### Corporate Volunteer Movement

In 2010, Vnesheconombank's volunteer movement saw further development. 15 volunteer actions involving the Bank's employees and their family members were performed.

Top-priority voluntary projects include: supporting the disadvantaged segments (children in orphanages, the disabled, retired citizens, etc.), rendering assistance to the injured in terrorist attacks and natural disasters, protecting historic and cultural heritage. Furthermore, volunteer activities focus on assisting the Bank's employees who find themselves in a challenging situation.

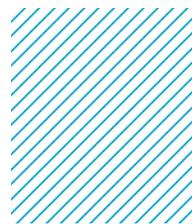
Corporate volunteering is voluntary, recipient-oriented and altruistic activity performed without detriment to the employees' job responsibilities.

Organizational and coordination functions in implementation of voluntary projects are performed by the employees responsible for developing the Bank's CSR system. The Bank's corporate motor vehicles are used as needed.

A voluntary project can be initiated by any employee of the Bank, who should forward to the employee in charge a proposal containing a project overview and explicitly specifying the beneficiary.

The information on each voluntary project approved for implementation is published on the intranet portal and contains detailed project description specifying the beneficiary, the project commencement and completion dates, the requirements/preferences concerning the qualifications or personal qualities of potential volunteers, as needed. Within three working days after the project completion, the respective report is published.

Given the growing interest of employees in volunteer movement and the availability of long-term projects, in 2011, Vnesheconombank supported the employee initiative and introduced an additional annual paid day-off – the Volunteer's Day. An additional day-off will entitle each employee to spend one working day per annum outside the office to participate in a corporate voluntary project



# 3 VNESHECONOMBANK'S CORPORATE LIFE

## 3.1

### Vnesheconombank's HR Policy

For Vnesheconombank, ensuring employee social protection, creating benign conditions for staff self-realization and arranging staff professional training and development is an overriding HR priority.

#### Key Issues in the Reporting Period

In 2010, Vnesheconombank's HR Policies were following the major strategic development imperatives.

The period under review addressed the following HR issues:

- Upgrading the Bank's organizational structure and management system;
- Developing a new pay and remuneration system;
- Ensuring continuous upgrading of employee professional competencies;
- Networking with foreign development institutions in respect of staff qualifications enhancement and experience exchange.

Arrangement of a professional dialogue between HR specialists representing both Russian and foreign development institutions became an important component of VEB's HR policy agenda. With this end in view, for the past 5 years, Vnesheconombank has been arranging International Interbank HR Conferences "Human Capital: New Development Horizons".

April 2010 witnessed the 5th jubilee Interbank HR Conference "Human Capital: New Development Horizons" that brought together more than 120 HR heads representing leading Russian and foreign state and commercial banks, including banks— members of the Shanghai Cooperation Organization Interbank Consortium (SCO IBC) and VEB subsidiaries.

VEB's active role in arrangement of a dialogue between HR specialists both from Russian and foreign financial institutions reinforces the Bank's business status as a leading HR management expert, enabling it both to share the experience and draw on the most advanced HR management technologies offered by other development institutions.

#### Employment Relations Management

Vnesheconombank's HR Policy is based on strict compliance with the requirements of the Labor Code of the

Russian Federation which prohibits labor discrimination, including sex, nationality, race discrimination of employees and the use of forced or compulsory labor. The Bank offers equal rights and opportunities to all employees, creates favorable professional development conditions, safeguards maternity and children interests.

Respect for the freedom of individual, social and political life and protection of employee rights to participate freely in associations and public organizations are specified in the employment contract concluded with each employee.

The principal documents governing employment relationships are as follows:

- the Internal Labor Regulations of Vnesheconombank;
- Regulations on the Procedure for Recruiting, Rotating and Dismissing the Employees of Vnesheconombank;
- Regulations on Employee Personal Data Processing;
- Standard employment contract.

In 2004, for the purposes of rationalizing the work related to receipt, processing, use, transmission and storage

of the personal data of Vnesheconombank's employees and as required by Articles 85–90 of the Labor Code of the Russian Federation, the Bank approved the Regulations on Employee Personal Data Processing. The personal data of the Bank's employees are processed both manually and automatically. The Bank undertakes all the necessary organizational and technical measures to protect personal data as required by applicable Russian laws. Only a limited number of individuals are entitled to process personal data in the information system.

In 2010, Vnesheconombank's automated system was certified as compliant with 1G IT security class, which meets the requirements of the Federal Law "On Personal Data Protection".

With a view to improving Vnesheconombank's personnel and social policies, the following regular activities are performed to receive employee feedback:

- Weekly thematic online conferences to explore the Bank's activities is launched. In 2010, more than 50 conferences were conducted on the intranet portal;
- My Bank social survey seeking to capture employee satisfaction with the working conditions and identify factors affecting employee job dedication.

### Measures Taken to Solve Problems Revealed by My Bank Survey 2009

Problem	Solution
■ No cafeteria	■ Vnesheconombank's office building renovation project includes creating lunch halls to provide catering service for the Bank's employees
■ No career development prospects	■ The Bank's draft Development Strategy for the Period from 2011 to 2015 includes implementing the Career Management Program
■ Involuntary frequent overwork due to a huge workload	■ The list of positions held by employees working irregular hours was prepared. In 2010, the following incentive was introduced for employees working irregular hours: a paid 7-calendar-day leave

## Protection of Employee Rights

In 2009, the Primary Trade Union Organization and Vnesheconombank entered into a collective bargaining agreement governing the Bank's social and employment relationship. The collective bargaining agreement was put in place for a 3-year term and came into force on November 25, 2009.

As of January 1, 2011, Vnesheconombank Trade Union had 786 members, accounting for 44.1% of the Bank's actual headcount

The trade union exercises control over compliance with the employment contract and internal regulations of Vnesheconombank governing the issues of social protection, retirement, health insurance and other types of monetary incentives.

In 2010, the trade union received requests from some 300 employees. Most of employees demonstrated interest in issues related to providing the employees and the family members with holiday-making opportunities, arranging sports and health improvement events and rendering financial assistance. All the requests were carefully scrutinized, the requested assistance was secured.

All requests submitted by employees to the trade union in respect of working conditions, the amount and structure of salary, occupational health and safety, social and health insurance are considered on a case-by-case basis. In 2010, there were no recorded requests.

The trade union pays special attention to matters, such as headcount optimization, personnel health and safety (occupational health instructions, orientation programs, the plan of action for improving working conditions within the entity, the list of workplaces exposed to hazardous and dangerous production factors, etc.). Furthermore, the representative of the elected body of the primary trade union organization is included, on a mandatory basis, in the accident investigation commission.

The trade union's activities are assessed at annual reporting conferences. Every five years, reporting and election conferences are held to elect the Chairman of the trade union from among the Bank's employees.

## Support for Vnesheconombank's Retirees

Dedicated care about the Bank's retirees is a primary HR policy focus.

In 2000, the Council of Retirees of Vnesheconombank was established. Members of the Council of Retirees are employees who retire from the Bank after reaching a certain age or due to disability (groups I and II) after at least 10 years of work for the Bank.

In 2010, ten retired employees joined Vnesheconombank's Council of Retirees. As of January 1, 2011, the Bank's Council of Retirees had 357 members

Vnesheconombank implements its non-governmental retirement insurance programs through two non-governmental pension funds, namely: Vneshekonomfund and Support Fund, using two pension schemes: joint (lifelong) and personified (payable within at least 5 years).

In line with the terms and conditions of Vnesheconombank's pension scheme implementation involving Vneshekonomfund, the Bank's retirees are paid monthly lifelong private pension. In December 2010, the Bank's Board adopted a resolution on raising the amount of the monthly lifelong pension by RUB 1,000 per month to the retirees participating in Vneshekonomfund's pension scheme.

All the members of the Council of Retirees are covered by voluntary health insurance. Individual health insurance programs for non-insured events are provided just as well. 2010 saw the execution of an agreement for funding the treatment of the non-insured diseases (5 retired members of the Council of Retirees were provided with financial aid). Financial assistance is rendered for the purposes of partly reimbursing costs in connection with expensive disposables not paid for by the insurance company, rehabilitation and remedial treatment.

In 2010, corporate dinners were held to celebrate the Victory Day and on the eve of Vnesheconombank's Retiree Day. Remarkably, 5 retirees were awarded badges of the Best Employee of Vnesheconombank. The amount of monthly lifelong private pension payable to the employees who received the awards was raised by RUB 5,000.

# 3.2

## Vnesheconombank's Staff Characteristics

The objective of VEB's effective performance could not be possibly met unless we assembled a team of qualified professionals. The Bank not only seeks to recruit the best of the best but also nurtures its own professionals. Many employees come to the Bank upon university graduation and devote their entire professional career to the Bank.

### Vnesheconombank: Actual Headcount

As of January 1, 2011, the actual headcount of Vnesheconombank was 1,781 people, including 20 part-time (second job) employees and 34 employees of the representative offices of Vnesheconombank in Russia and abroad. The actual headcount increased by 100 people (5.9%) year-on-year.

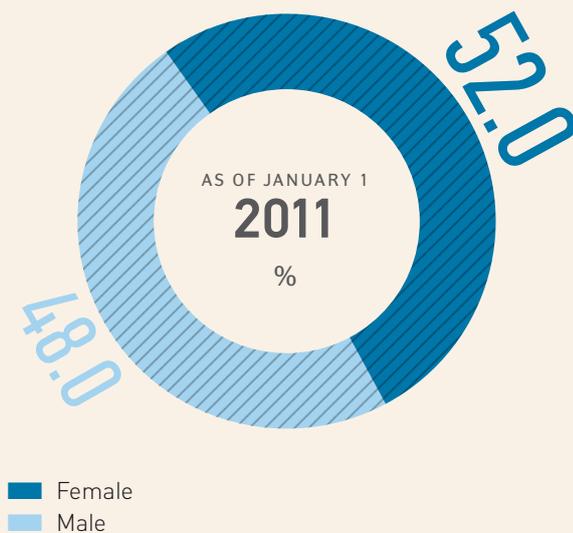
As of January 1, 2011, the dominant group of the Bank's staff represented employees holding diplomas of higher education, accounting for 83.5% of the total headcount. 16 employees of Vnesheconombank are candidates for inclusion in the pool of the Federal Portal of Managerial Staff.

In 2010, Vnesheconombank's employee turnover rate was 4%. In 2010, 66 people were dismissed.

### Personnel Recruitment Procedure

Vnesheconombank's personnel recruitment procedure is governed by the Regulations on Selecting Personnel for Vacant Positions at Vnesheconombank.

Personnel by Gender (as % of Actual Headcount)



Personnel by Age Group (as % of Actual Headcount)



When candidates are selected for vacant managerial positions in foreign representative offices, preference is given to candidates who have worked for Vnesheconombank.

When candidates are selected for vacant managerial positions in domestic representative offices, the principal requirements are as follows: experience in implementing investment projects involving Vnesheconombank and experience in interacting with the regional authorities and local business community. As of January 1, 2011, the managers of domestic representative offices recruited from among locals account for 75%.

Vnesheconombank's personnel recruitment procedure ensures compliance with the requirements of labor regulations of the Russian Federation: all candidates meeting the declared requirements are offered equal opportunities of participation in competitive selection; the requirements for non-disclosure of the personal data of candidates for a vacant position are met; the results of tests taken by the candidate are kept confidential. These data

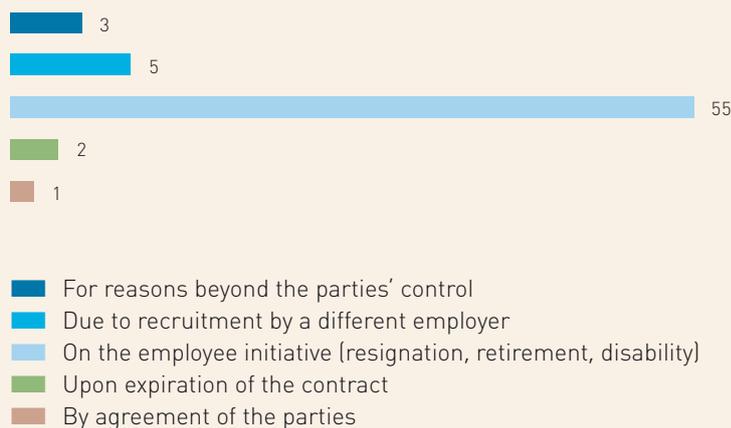
are available only to the employees of Vnesheconombank making a decision on the candidate's recruitment.

The information communicated with the consent of the job applicants is verified under the Regulations on the Procedure for Recruiting, Rotating and Dismissing the Employees of Vnesheconombank with the candidate's consent.

Data verification procedure is mandatory for all newly recruited employees of the Bank. Personal data verification activities do not conflict the Labor Code of the Russian Federation or other regulations.

Vnesheconombank organizes internship for successful students of the leading higher education institutions of Moscow. In 2010, seventy-nine students of higher education institutions participated in the internship programs of Vnesheconombank. 11 people who had earlier gone through internship programs with Vnesheconombank were recruited

### Reasons for Termination of Employment Contracts with Vnesheconombank's Employees in 2010



### Number and Breakdown of Employees Dismissed in 2010 (by Age Group, Gender, Region)

		Number of Employees	Number of Employees Dismissed in 2010	Percentage of Dismissed Employees (as % of Total Number of Employees Representing the Age Group, Gender and Region)
■ Age group	■ Up to 31	322	21	6,5
	■ From 31 to 50	1034	28	2,7
	■ From 51	425	17	4,0
■ Sex	■ Female	927	29	3,1
	■ Male	854	37	4,3
■ Region	■ Moscow	1747	63	3,6
	■ Representative offices of Vnesheconombank in Russia and abroad	34	3	8,8

# 3.3

## Personnel Development

For Vnesheconombank, professional capacity building is a key component of strategic development. Employees are trained throughout their career with Vnesheconombank. The knowledge and skills they acquire not only ensure an appropriate professional level required for accomplishing the formulated objectives but also secure employee competitiveness in the labor market.

### Personnel Training Objectives for 2010

Vnesheconombank's training process is governed by the Regulations on Arrangement of Training of VEB's Employees in Russia and Abroad and the Regulations on Arrangement of Foreign Language Training for VEB's Employees.

In 2010, the primary training objectives were as follows:

- compliance with the requirements of the applicable laws in employee compulsory certification;
- maintaining an appropriate professional level of personnel necessary to satisfy the requirements of the employee competency profile;
- ensuring that employees acquire new knowledge and skills required for effective performance; communicating the ongoing legislative amendments to the personnel;
- creating conditions for a rational use of the employee potential (staff mobility) and securing employee individual and professional self-realization.

### Number of Employees Trained in 2009 and 2010



### Average Number of Training Hours per Employee in 2009 and 2010 (by Personnel Category)



### Scope and Forms of Training in 2010

In 2010, training events were attended by 736 employees, accounting for 41.3% of Vnesheconombank’s actual headcount (versus 641 employees, or 38.1%, in 2009).

In 2010, the average number of training hours per employee was 34.7 hours, an increase of 10.7 hours year-on-year (see the chart above).

In 2010, training forms and methods were selected using the parameters of cost effectiveness and methodological feasibility. 637 employees were trained at Vnesheconombank in the corporate format, which allowed for optimizing expenses while maintaining the quality and efficiency of training.

By a long-standing tradition, the Bank co-arranged with foreign partner banks in-company training to enhance employee competency profile and secure professional interests.

A considerable increase in the number of employees trained in IT was witnessed. The practice of foreign language teaching was continued.

Remarkably, 40 of VEB’s employees were offered an opportunity to get higher and second higher professional education and MBA diplomas. The Bank paid up all the relevant expenses.

## 3.4

Vnesheconombank's Personnel  
Remuneration and Incentive System

2010 saw the development and completion of Vnesheconombank's new Employee Remuneration and Incentive System. It reflected common approaches of state corporations to labor compensation issues. The new remuneration and compensation system will obviously contribute to strengthening the Bank's competitive advantage in the labor market and deliver efficiency gains from investment in personnel development.

Development of Vnesheconombank's  
New Employee Remuneration  
and Incentive System

Vnesheconombank's Employee Remuneration and Incentive System is developed in line with the Instruction of V. V. Putin, Chairman of the Government of the Russian Federation, concerning the development of uniform principles and approaches to compensating the employees of state corporations, the resolutions of the Supervisory Board and the Board of Vnesheconombank.

Vnesheconombank's New Personnel Remuneration and Incentive System was approved by the Supervisory Board of Vnesheconombank and came into force as from January 1, 2011, pursuant to the resolution of Vnesheconombank's Board

The compensation system was developed in a short period of time and included:

- monitoring and analysis of working conditions witnessed in the financial and banking sector and state corporations;

- assessment of positions and their subsequent grading into base salaries based on the analysis of functional roles and objectives of each stand-alone division;

development of a package of internal regulatory documents governing implementation of the new employee compensation and incentive system (the Regulations on Vnesheconombank's Employee Remuneration and Incentive System, the Regulations on Administering the System of Base Salaries of Vnesheconombank's Employees).

In 2010, as part of restructuring Vnesheconombank's Employee Remuneration and Incentive System, the Regulations on the Procedure for Annual Assessment

of Vnesheconombank's Personnel were also developed and approved.

The new compensation system ensures direct dependence of the remuneration amount on Vnesheconombank's performance efficiency and the achievement of employee individual goals. The system allows assessing objectively the employees' individual performance and raising the staff motivation to achieve the Bank's top-priority goals. That contributes to maintaining and recruiting qualified professionals.

### Elements of Vnesheconombank's Employee Remuneration and Incentive System

<ul style="list-style-type: none"> <li>■ Base salary</li> </ul>	<p>Established when employment contract is executed within the range of base salaries and adjusted for the employee qualifications and experience; the complexity of work performed; the average market remuneration for the position concerned</p>
<ul style="list-style-type: none"> <li>■ Compensation payments*</li> </ul>	<p>Made in accordance with the laws of the Russian Federation and the Bank's internal regulatory documents. The following types of compensation payments apply:</p> <ul style="list-style-type: none"> <li>■ all types of extra pay and compensation payments provided for by the laws of the Russian Federation;</li> <li>■ entitlement to an additional leave for irregular working hours;</li> <li>■ extra pay for special characteristics of work and working conditions</li> </ul>
<ul style="list-style-type: none"> <li>■ Incentives</li> </ul>	<p>Incentives include:</p> <ul style="list-style-type: none"> <li>■ year-end performance bonus (annual bonus);</li> <li>■ quarter-end performance bonus (quarterly bonus for technical staff);</li> <li>■ one-time incentives (payment of anniversary and the International Women's Day bonuses)</li> </ul>
<ul style="list-style-type: none"> <li>■ Welfare benefits</li> </ul>	<p>Established on an annual basis by the resolution of the Board to come into force pursuant to Vnesheconombank's individual decrees:</p> <ul style="list-style-type: none"> <li>■ access to additional paid leaves (for solving social and household problems, marriage, on September 1 to women with children of 6 to 10 years of age, baby birth, death of close relatives);</li> <li>■ benefits for employees on a child care leave;</li> <li>■ one-time benefit (marriage, baby birth, employees with large families, etc.)</li> </ul>
<ul style="list-style-type: none"> <li>■ Non-monetary rewards</li> </ul>	<p>Established by the resolution of the Board to come into force pursuant to Vnesheconombank's individual decrees. The Bank uses the following types of rewards:</p> <ul style="list-style-type: none"> <li>■ badge of the Best Employee of Vnesheconombank;</li> <li>■ record in Vnesheconombank's Book of Honor;</li> <li>■ placement on Vnesheconombank's Board of Honor;</li> <li>■ diploma of Gratitude from the Chairman of Vnesheconombank;</li> <li>■ title of the Best Employee of the Year.</li> </ul> <p>In 2010, awards were bestowed on a total of 242 employees, accounting for 13.6% of the Bank's actual headcount</p>

\* Compensation payments and welfare benefits apply to all employees of the Bank, with the exception of the leave for irregular working hours to which part-time employees are not entitled.

## Familiarization of the Bank's Employees with the New Compensation System

The employees were notified of changes in Vnesheconombank's Employee Remuneration and Incentive System in accordance with the requirements of the Labor Code of the Russian Federation. Two months prior to the new system implementation date, the letters notifying of changes in the compensation system and the establishment of new base salaries were distributed to all employees of Vnesheconombank. Furthermore:

■ since January 2010, workshops for division managers have been conducted;

■ all employees were familiarized with the regulatory documents governing the new compensation system in accordance with the Bank's current procedure;

■ a hotline was opened for the purposes of informing the Bank's employees of the new employee compensation and incentive system parameters;

■ corporate workshops to discuss the general provisions and principles of the new compensation system and approaches to setting and assessing individual goals and competences were held. 217 managers and employees of Vnesheconombank attended the workshops;

■ information handouts are made available on Vnesheconombank's corporate website.

## Vnesheconombank's Employee Salary Level

The remuneration offered by Vnesheconombank to its employees is not lower than the minimum compensation rate provided for by federal laws. The minimum compensation for Moscow as of the end of 2010 was RUB 10.100. The initial salary at Vnesheconombank is 2.7-times higher than the region's minimum compensation rate.

In general, the current remuneration rate for Vnesheconombank's employees is not higher than the average market indicators in the lending and financial industry and conforms to uniform approaches to remuneration

rates for the employees of state corporations specified in the Instruction of V. V. Putin, Chairman of the Government of the Russian Federation.

The base salaries of the employees of Vnesheconombank's representative offices in the Russian Federation conform to the average salary values witnessed in the labor market of the RF region concerned. Compensation of the representative offices' employees is adjusted relative to the local pay values and percentage-based benefits for years of work in areas with special weather conditions in accordance with the Labor Code of the Russian Federation.

## Vnesheconombank's Management Remuneration Policy

The Supervisory Board members, with the exception of the Chairman of Vnesheconombank, do not work with the Bank on a full-time basis. In accordance with the Federal Law "On Bank for Development" the amount of remuneration and/or compensation of Vnesheconombank's Supervisory Board members is approved by the Government of the Russian Federation. Given that Vnesheconombank's Supervisory Board members are civil servants compensated in accordance with Federal Law No. 79-FZ of July 27, 2004, "On Public Civil Service in the Russian Federation," resolutions on monetary remuneration of the Bank's Supervisory Board members have not been adopted since the establishment of Vnesheconombank as the bank for development (in June 2007).

The amount of remuneration and/or expense reimbursement of the Bank's Board members is approved by the Supervisory Board of Vnesheconombank.

In 2010, the Personnel and Remuneration Committee was established. It is headed by A. L. Kudrin, Deputy Chairman of the Government of the Russian Federation, Minister of Finance of the Russian Federation, member of the Supervisory Board of Vnesheconombank. The Committee's objectives include provision of written opinions and recommendations to the Supervisory Board on the following issues:

■ approval of Vnesheconombank's corporate KPIs and assessment of their achievement;

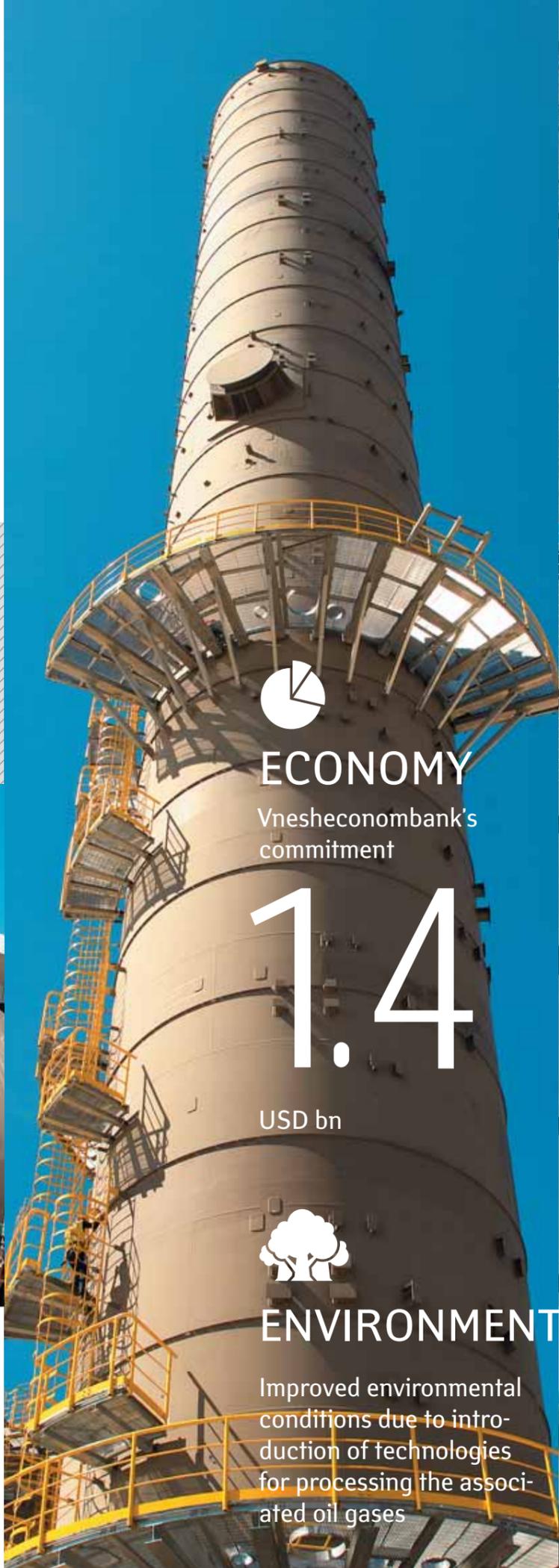
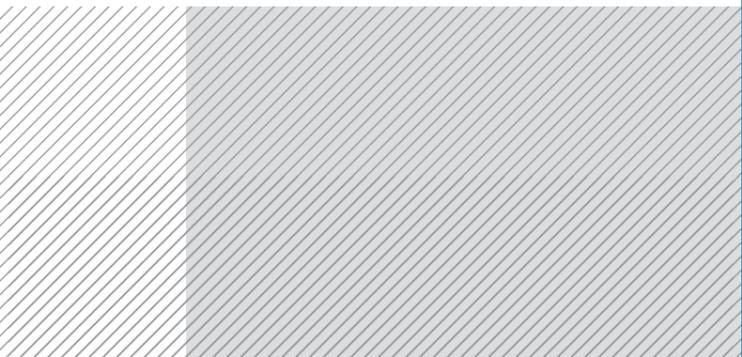
■ analysis of conformity of the criteria for assessing the performance of Vnesheconombank's Board members, Deputy Chairmen of Vnesheconombank who are not members of the Board, with the common corporate KPIs approved for the reporting period;

■ amount of remuneration for Vnesheconombank's Board members, Deputy Chairmen of Vnesheconombank who are not members of the Board, the heads of the Bank's divisions and subsidiaries.

The Chairman of the Bank, members of the Board and Deputy Chairmen of the Bank as well as civil servants submit to Presidential Office of the Russian Federation on Personnel Issues and State Awards the details of their income, property and associated obligations as well as of the income, property and associated obligations of their spouses and children under 18 years of age. These details are also published on Vnesheconombank's website at: [www.veb.ru](http://www.veb.ru).

Construction of a polypropylene production facility with the productive capacity of 500 thousand tons per annum in Tobolsk

## INVESTMENT IN SUSTAINABLE DEVELOPMENT



### ECONOMY

Vnesheconombank's  
commitment

# 1.4

USD bn



### ENVIRONMENT

Improved environmental  
conditions due to intro-  
duction of technolo-  
gies  
for processing the associ-  
ated oil gases



### SOCIETY

Aiming at creating  
new jobs

4500  
over the facility  
construction cycle

500  
over the facility  
operating cycle

3000  
in interrelated  
sectors



## 3.5

## Occupational Health and Safety

For the purpose of preventing occupational injuries and professional diseases and ensuring personnel safety in natural and man-induced emergencies, the Bank developed a set of measures intended for protecting employee health.

#### Major Personnel Health and Safety Risk Factors in 2010

In 2010, for the purposes of identifying and assessing the risk of potential health-threatening factors associated with performing job responsibilities, the Bank's Health Protection Division certified 362 workplaces of the Bank's employees in respect of working conditions (measurement of light intensity, temperature, injury prevention, etc). Furthermore, in 2010, compliance with sanitary rules and the performance of sanitary and epidemic prevention activities was carefully checked.

As in 2009, a significant health risk incurred by the Bank's employees is eyesight impairment caused by working with computer.

Furthermore, a considerable health risk for employees was abnormal in the hot summer of 2010, with the smog and high concentration of hazardous substances in the air caused by fires in the Moscow Region and adjacent areas.

#### Personnel Health and Safety Protection in 2010

In 2010, the Bank was invariably dedicated to creating most accommodating working conditions that would

meet the health and hygiene rules and standards SanPiN 2.2.2/2.4.1340-03 and exercised control over the work of managers responsible for the heating and air ventilation system. Alongside that, awareness-raising conversations were conducted with the employees and heads of the Bank's divisions on health requirements for the microclimate of office premises.

In accordance with the health requirements for the microclimate of office premises and the recommendations of Russia's Chief Sanitary Doctor and with a view to protecting personnel health and safety during adverse weather conditions in Moscow in the summer of 2010, the Bank undertook the following measures:

- published Directive of Chairman of Vnesheconombank "On Rationalizing Employee Working Hours during the Period of Adverse Weather Conditions in Moscow". Now, division heads could organize employee work in shifts and reduce working hours, while ensuring continuous business processes;

- corporate Intranet website published information documents containing recommendations for easing adverse health implications caused by heat and smog;

- strengthened the enforcement of requirements for fire safety in the operation of household and office appliances, prohibited smoking in Vnesheconombank's premises;

- conducted additional health and fire safety orientation.

**In 2010, 730 employees of Vnesheconombank, accounting for 40.9% of the actual headcount underwent training in health and fire safety orientation**

In accordance with the Plan of Action for Health Protection in 2010, All-Russian Research Institute for Health Protection and Economics of the Federal Supervision Service for Healthcare and Social Development checked the knowledge of health requirements by the Bank's managers and employees. In 2010, thirty employees undertook knowledge tests.

In 2010, all engineering and technical employees of the Bank participated in the programs of training in professional disease and injury prevention.

## Preliminary and Regular Health Inspections

For the purposes of employee health protection and professional disease prevention, Vnesheconombank's employees, on a regular basis, go through mandatory health inspections:

- preliminary health inspection upon recruitment. In 2010, preliminary health inspection was passed by 106 people;

- regular biannual health inspection. The next scheduled regular inspection will be held in 2011.

Preliminary and regular health checks are a significant preventive measure fully implemented using the funds of Vnesheconombank. The diagnoses of diseases and changes in the employees' health condition are confidential information.

Upon regular health checks, employees are given disease prevention recommendations and the opportunity to purchase sanatorium and resort treatment packages. In 2010, sanatorium and resort treatment was offered to 18 employees of the Bank.

## Voluntary Health Insurance and Non-insured Events

In 2010, to address the need for optimizing personnel expenses, including voluntary health insurance expenses (VHI), a co-financing mechanism (the Bank/employees) was applied. In the reporting year, the annual limit on Vnesheconombank's expenses per employee remained the same as in 2009 (RUB 20,000).

The employees were also offered an opportunity to obtain VHI policies for their relatives at corporate tariffs. In 2010, 309 relatives were insured using employee personal funds. Furthermore, in 2010, all employees and their insured relatives traveling abroad received health insurance bonuses under VHI agreements.

2010 saw the execution of accident insurance agreement providing for insurance coverage of cash desk employees executing cash transactions. The agreement covers the following risks:

■ partial sickness (injury) as a result of an accident;

■ permanent disability (handicap of Groups 1, 2, 3) as a result of an accident;

■ death as a result of an accident.

Individual health insurance programs with regard to non-insured events are put in place and maintained. An agreement paid for by Vnesheconombank was executed in respect of non-insured events for 8 employees of Vnesheconombank.

In 2010, five employees of Vnesheconombank received monetary assistance (for the purposes of partial reimbursement of expenses associated with expensive disposables not paid for by the insurance company in connection with rehabilitation and remedial treatment) totaling RUB 2,040,000.

### Office Doctor Program

In 2009, the medical office of Vnesheconombank started working under a new program (Office Doctor), which includes:

■ consultation of the General Practitioner;

■ recording and decoding of ECG tracing, measurement of blood pressure, shots, wound dressing;

■ organization of emergency hospitalization;

■ vaccination of the Bank's employees;

■ pre-travel inspections of drivers employed by the Bank.

In 2010, the medical office of Vnesheconombank received 16,104 recorded complaints from Vnesheconombank's employees under the Office Doctor program, including 9,213 pre-travel inspections of Vnesheconombank's drivers; 3,567 employees visited the medical office with various health problems (recording and decoding of ECG tracing, determination of blood glucose level, wound dressing, physiotherapeutic procedures, etc.); 3,324 injections were made.

For the purposes of reducing ARVI and influenza infection rate in autumn and winter, any employee of the Bank could be vaccinated against influenza in the Bank's medical office. A total of 500 people were vaccinated.

During the year, information on health- and disease-prevention-related issues was made available on VEB's website.

### Maternity and Child Protection

In 2009, the Bank introduced an obstetric care program which allows the female employees of Vnesheconombank to receive services from the best Moscow clinics. In December 2010, the Board of Vnesheconombank adopted a resolution on the full financing of the Obstetric Care service under the health insurance program.

In 2010, the Obstetric Care service was used by 13 women (against 11 women in 2009).

Upon baby birth, the Bank's employees (both men and women) are paid a bonus which is half of their monthly salary. Employees having three or more children aged 18 years or under are paid annual allowance of RUB 30,000.

Employees on parental leave until the child is 3 years old and working women with children aged three or under are paid the following amount per child per month:

■ RUB 20,000 until the child is one year old;

■ RUB 10,000 for a child between one and two years of age;

■ RUB 5,000 RUB per child aged between two and three years.

In 2010, all working women whose children are aged between 6 and 10 years were entitled to an additional day-off on September 1. Furthermore, female employees having small children can agree with the management on changing their work schedule.

## Civil Defense, Emergency Prevention and Response

For the purposes of improving Vnesheconombank's civil defense, emergency prevention and response activities, Vnesheconombank has in place:

- Civil Defense Headquarters;
- Evacuation Commission;
- Emergency Prevention and Response and Fire Safety Commission.

As of January 1, 2011, the headquarters and the commission were composed of 98 people, accounting for 5.5% of Vnesheconombank's actual headcount.

In addition, Vnesheconombank has two emergency rescue teams (rescue group and the refuge and shelter maintenance unit with a total headcount of 42 people).

Emergency rescue team members are trained in conformity with the Order "On the Organization of Civil Defense and Emergency Prevention Training in 2010" (20-hour training program for emergency rescue teams).

In 2010, the employees of Vnesheconombank were trained in civil defense and emergency prevention (14-hour health and safety program). To give employees an opportunity of independent training the Civil Defense section of the intra-bank reference intranet portal specifies all training program topics, slides and emergency instructions.

In 2010, in accordance with the Plan of Major Civil Defense and Emergency Action Vnesheconombank conducted orientation and practical classes for:

- the executives of stand-alone divisions of Vnesheconombank responsible for organizing civil defense, emergency prevention and rescue training;
- VEB's officers on duty;
- the staff of emergency rescue teams;
- the members of Vnesheconombank's Evacuation Commission.

In 2010, orientation and practical classes were attended by a total of 136 employees, accounting for 7.6% of Vnesheconombank's overall headcount.

Vnesheconombank seeks to maintain a reasonable balance between internal safety and human rights protection. Security and access control functions at Vnesheconombank are performed by the employees of divisions of the Extradepartmental Protection Directorate under the Main Internal Affairs Directorate for Moscow. The Federal Law "On Police" and other regulatory documents of the Ministry of Interior of the Russian Federation oblige all policemen to rely in their work on the principles of respect for the rights and freedom of the person and citizen, lawfulness, humanism and transparency.

## 3.6

## Raising Environmental Consciousness

Due to the nature of the core business, Vnesheconombank does not have a significant direct impact on the environment. However, as part of pursuing its CSR policy, the Bank introduces mechanisms for raising energy efficiency, fuel saving and rationalizing paper consumption.

#### Resource Consumption Metering

The major resources consumed by Vnesheconombank for office administration purposes are electricity, heat and cold water.

Resource consumption is metered in two office buildings owned by Vnesheconombank located at:

■ prospect Akademika Sakharova, 9 (occupying a total of 33,437.5 square meters);

■ ul. Serpukhovsky Val, d. 8 (occupying a total of 1,335.7 square meters).

Vnesheconombank owns another office building at: B. Karetny pereulok, d. 4, str. 4 (occupying a total of 984.8 square meters), which was still being renovated as of January 1, 2011.

Furthermore, in 2010, Vnesheconombank leased a number of office, warehouse and auxiliary premises. Lease agreements classify the metering of consumption in leased premises and implementation of energy efficiency and water saving activities at these facilities as falling under the jurisdiction of lessors.

**Electricity, Heat and Cold Water Consumption\***

Indicator	2009	2010	Dynamics	Consumption Growth/Decline Reasons
■ Electricity, GJ	27 300,0	29 274,0	+ 1974,0	Consumption growth was caused by the new freight elevator commissioning, an increase in the number of workplaces and IT infrastructure development, putting into operation of the additional new ventilation chamber and electrical equipment of the data storage center located in Vnesheconombank's office building at: prospect Akademika Sakharova, d. 9
■ Heat, GJ	17 901,0	22 139,0	+ 4238,0	Consumption growth was caused by putting into operation of additional assembled heating systems in Vnesheconombank's office building located at: prospect Akademika Sakharova, d. 9
■ Water, cubic meters	22 739,0	20 741,8	- 1997,2	A decrease in water consumption was achieved due to the optimization of the operating schedule of water consuming units (cooling towers of refrigeration mechanisms, air washers of precision air conditioners, watering devices)

\* Electricity, heat and cold water consumption data as well as data concerning fuel consumption by motor vehicles exclude the data of Vnesheconombank's representative offices.

**Energy Efficiency Activities**

Federal Law No. 261-FZ of November 23, 2009, "On Energy Saving, Energy Efficiency Improvement and Amendment of Individual Legislative Acts of the Russian Federation" obliges Vnesheconombank, between the day of entry into force of the above-mentioned Federal Law and December 31, 2012, to organize and conduct the first energy examination of its buildings. Energy examination will result in the preparation of energy passports for the buildings, containing, among other things, the list of developed energy saving and energy efficiency improvements.

Energy efficiency requirements include reducing energy resource consumption in the buildings at least once every 5 years:

- during the first five-year term (beginning on January 1 of the year following the year of examination), at least by 15 percent relative to the base rate;

- during the second five-year term, at least by 30 percent relative to the base rate;

- during the third five-year term, at least by 40 percent relative to the base rate.

Energy efficiency is raised using energy-saving technologies and equipment in Vnesheconombank's buildings.

In 2010, the following measures were taken to raise energy efficiency:

- approval of the standard form of energy service agreement (contract) providing for the retention of energy service company for satisfying energy efficiency requirements;

- the project for rehabilitating Vnesheconombank's building located at: prospect Akademika Sakharova, 9, included the installation of high-tech equipment (balanced ventilation units with heat recovery modes, state-of-the-art refrigerating equipment, etc) meeting the existing environmental requirements and certified in the Russian Federation.

**Responsible Consumption**

Vnesheconombank purchases certified products (including furniture, office appliances, household goods, electrical equipment, etc) for its employees and to meet house-

hold and operating needs. Preference is given to suppliers certified as compliant with ISO 9001:2008, evidencing high quality of their products and services.

Due to specifics of its operations, Vnesheconombank consumes large volumes of paper (primarily A4 format).

### Paper Consumption\*

Indicator	2009	2010	Dynamics
■ Paper (MT)	90,5	77,7	-12, 8

\* Data in respect of paper consumption exclude the respective data for VEB's representative offices.

In 2010, the reduction of paper consumption was achieved due to the use of double-sided printing for making document copies (in accordance with the Decree of Vnesheconombank "On Reasonable Paper Consumption") and implementation of electronic workflow.

Paper products are purchased from the companies pursuing responsible environmental and social policy. The paper used by the Bank is manufactured in accordance with the current environmental requirements and certified as compliant with the international standards, such as Nordic Swan<sup>7</sup>, EU Flower<sup>8</sup>, PEFC<sup>9</sup>.

### Hazardous (Pollutant) Emissions Metering

7. Nordic Swan standard imposes stringent requirements on the enterprise's environmental management systems by tracking the environmental impact of products and services during each phase of their life cycle ranging from raw materials extraction to disposal.

8. EU Flower is a common environmental marking in the EU countries helping to identify the products whose features and quality meet the requirements of environmental and health protection standards.

9. PEFC is an international forestry certification system evidencing that paper is manufactured using wood grown by certified forestries with due account for economic, social and environmental factors.

10. World Resources Institute (2008) GHG Protocol tool for mobile combustion. Version 2.2.

### Emissions of CO<sub>2</sub>\*

Indicator	2009	2010	Dynamics
■ Total distance traveled, thousand km	4275,7	4541,7	+ 266,0
■ Total fuel consumed, thousand liters	749,7	786,3	+ 36,6
■ Emissions of CO <sub>2</sub> , tonnes per annum	1712,0	1792,7	+ 80,7

\* The indicators of fuel consumption by the Bank's motor vehicles exclude the details of the representative offices' fuel consumption. Fuel consumption is metered based on the individual reports of suppliers, travel routes and fuel consumption norms specified in the regulatory documents of the Ministry of Transport of the Russian Federation and the Bank's decrees on each particular vehicle.

Vnesheconombank has in place only movable sources of hazardous (pollutant) emissions, i.e. vehicles. The fee for negative environmental impact of the Bank's motor vehicles is calculated based on fuel consumption data.

For the purposes of this Report, CO<sub>2</sub> emissions are calculated using the ratios of the Intergovernmental Panel on Climate Change's (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories<sup>10</sup>.

### Waste Disposal

#### Aggregate Amount of Municipal Solid and Paper Waste

Indicator	2009	2010	Dynamics
■ Municipal solid waste, MT	486,7	453,9	-32,8
■ Paper waste (documentation), MT	27,7	22,8	-4,9

Hazardous waste is utilized only by specialized entities under proper agreements:

- batteries and automobile tyres are utilized by service stations;

- devices providing for continuous power supplies are utilized by a specialized entity under the equipment maintenance and repair agreement;

- mercury-containing waste (fluorescent lamps) is utilized by a specialized entity holding a proper license issued by the Federal Service for Environmental, Technological, and Nuclear Supervision.

Non-hazardous waste (municipal solid waste, construction waste, IT products) is utilized by contractors. Paper is shredded and delivered to the contractor for recycling. Sewage and stormwater effluents are utilized under appropriate agreements with Mosvodokanal and Mosvodostok.

### Planned Activities Aimed at Reducing Environmental Impact of Vnesheconombank's Operations

Apart from developing corporate environmental policy, which ensures an integrated approach of Vnesheconombank to the reduction of environmental impacts of its operations, in the next one to three years the Bank plans to:

- continue the switch over to electronic workflow;

- replace outdated appliances (including copying-and-duplicating and postprinting machines) with state-of-the-art equipment;

- purchase vehicles complying at least with the Euro 4 environmental standard;

- use fuel complying at least with the Euro 4 environmental standard;

- reduce average fuel consumption by bringing down vehicle power;

- increase the service life of automobile tyres through mandatory balancing work in repair and scheduled maintenance;

- purchase certified inventory and disposables.

# 4 VNESHECONOMBANK'S SUBSIDIARY BANKS

## 4.1

### Subsidiary Banks Management System

One of the fundamental ideas underlying Vnesheconombank's policy in respect of its subsidiaries is a combination of principles envisaging both the subsidiary independence and the parent control over their activities. The Bank's shareholder rights are realized through its representatives' participation in shareholder meetings, representation in the Supervisory Boards (Boards of Directors) and Audit Commissions.

#### Interaction with Subsidiaries: Principles and Mechanisms<sup>11</sup>

As of 01.01.2011, Vnesheconombank had equity investment in the charter capital of 6 banks, with each of them having its own specialization in provision of banking services: CJSC "Russian Development Bank", CJSC "Roseximbank", OJSC "Svyaz-Bank", CJSC "GLOBEX", OJSC "Belvnesheconombank" and Joint-Stock Commercial Industrial & Investment Bank ("Prominvestbank").

Vnesheconombank's interaction with the subsidiaries is characterised by an aspiration to render them support in developing the real economy benefiting from the provision of VEB's resources.

Seeking to develop appropriate business ties within the Group, Vnesheconombank participates in devising project financing schemes relevant for the real economy development, as well as offers support for enhancing trade and economic cooperation between Russia, Belarus and Ukraine.

<sup>11</sup> For the purposes of this Report, subsidiary banks mean banks in which Vnesheconombank is able to influence the resolutions adopted by their governing bodies, specifically due to a major stake held in the charter capital.

The Provision on the Major Principles of Cooperation with Subsidiaries is a document that regulates the major principles and mechanisms underlying Vnesheconombank's shareholder activities relating to the subsidiaries.

The fundamental principles that define Vnesheconombank's policy in respect of its subsidiaries include:

- A reasonable balance between a subsidiary's independence and centralized control over its activities exercised by Vnesheconombank;
- Participation in developing a subsidiary's strategy but non-interference in its day-to-day activities;
- A diversified approach to the arrangement and types of interaction;
- Avoiding a conflict of interest between the subsidiaries

The immediate tasks of interaction with the subsidiary banks are set forth in the resolutions by Vnesheconombank's governing bodies.

Vnesheconombank's representative, who chairs the Supervisory Board (Board of Directors) or is a member of the Supervisory Board (Board of Directors) of a subsidiary, shall notify Chairman of Vnesheconombank of the subsidiaries' activities that come within the competence of the Supervisory Board (Board of Directors) and the shareholder meeting, as well as of the decisions taken.

The terms of reference of the subsidiaries' governing bodies are regulated by the applicable laws, statutory and other regulatory documents of each subsidiary.

In order to enhance efficiency and harmonise corporate governance systems in the subsidiaries, Vnesheconombank can use its shareholder right to propose changes and/or amendments to statutory and other internal regulatory documents of each subsidiary in accordance with the effective laws and the established procedure. The mechanism can be applied to the reallocation of competences between the governing bodies of a subsidiary and limit the competences of the management bodies in favour of enhanced powers for the Board of Directors. Vnesheconombank can propose amendments with regard to:

- strategic development priorities;
- business plan targets;
- strategy/business plan implementation budgets.

Apart from the above mechanisms, Vnesheconombank concludes bilateral or multilateral agreements with subsidiary banks and sets up working groups/commissions. The Bank actively cooperates with the subsidiary banks in the interbank market and within various customer-service projects.

Interaction with the subsidiaries in respect of HR policies is ensured by means of upgrading documents that regulate internal HR policies, information exchange, arranging consultations, as well as experience sharing. Subsidiary employees participate in training programs launched by the Bank.

Inadequate coordination of interaction between the Bank's structural units and the subsidiaries was one of the major challenges of 2010. It primarily concerned information exchange. With a view to rationalizing prompt updating of information on the subsidiaries, avoiding document duplication and contradiction (making enquiries/forwarding replies) the Resolution on Receipt and Provision of Information on Vnesheconombank's Subsidiaries was developed and approved.

A uniform VEB Group communication policy is pursued through managing, networking and coordinating the work of the respective subsidiary units with mass media and providing subsidiaries with methodological and practical guidance.

## Major Lines of VEB Group Development

The strategic goals of Vnesheconombank as specified in Vnesheconombank's draft Development Strategy for the Period from 2011 to 2015 are as follows:

- creation of an effective system of subsidiary bank management in compliance with best corporate standards;
- implementation of the major development lines of Vnesheconombank's subsidiaries, including measures in-

tended for raising their efficiency in accordance with the devised strategies of the subsidiary group;

- centralization and establishment of uniform corporate governance standards for Vnesheconombank and its subsidiary banks.

In 2009, the Resolution of Vnesheconombank's Supervisory Board approved the major lines of development of the subsidiary group. To accomplish these guidelines, in 2010, the subsidiaries' development strategies were devised

The subsidiary banks' strategies were developed as part of drafting Vnesheconombank's Development Strategy for the Period from 2011 to 2015. The subsidiary banks' activities reflected in the draft development strategies are primarily aimed at overcoming infrastructure constraints associated with the growth, modernization and development of non-raw-materials economy, lending to the real sector and development of SMEs. Furthermore, the action plans of a number of banks include a social component related to personnel retention, assistance to the banks' former employees, charity events, etc.

### Vnesheconombank's Shareholder Control over Plans and Decisions Execution in Subsidiaries

Vnesheconombank performs continuous monitoring over the subsidiaries' activities, including:

- economic activities and financial performance;
- customer base profile;
- product line offering;
- targeted use of funds appropriated by Vnesheconombank.

Appropriate preparation of managerial decisions for VEB's representatives participating in the subsidiaries' collegial bodies is underpinned by the Bank's careful monitoring and scrutinizing of the banks' financial and management reports.

The performance of Vnesheconombank's subsidiaries is assessed based on the financial results, outcomes of the business plan execution and bad debt administration. It is planned to develop key performance indicators for the subsidiary banks, primarily OJSC SVYAZ-BANK and CJSC GLOBEXBANK

A separate file is maintained for each subsidiary bank. It includes monthly management reports, quarterly plan implementation reports, the meeting minutes of the Supervisory Boards (Boards of Directors), the Meetings of Shareholders and other documents required for assessing the subsidiary banks' performance.

# 4.2

## OJSC RUSSIAN DEVELOPMENT BANK (RDB)

“In 2010, OJSC RUSSIAN DEVELOPMENT BANK (RDB) became the largest national institution to support SMEs. The target formulated by the Government of the Russian Federation and the Bank’s sole shareholder, STATE CORPORATION BANK FOR DEVELOPMENT AND FOREIGN ECONOMIC AFFAIRS (VNESHECONOMBANK), of raising the level of SME support to RUB 100.0 billion was successfully achieved. The Bank also created a unique model of lending to SMEs, which allowed for reallocation of funds in the SME segment. Yet we are moving forward and gearing up to discover new horizons. By 2015, the Bank aims to increase its aid to SMEs to RUB 250.0 billion”.

S. P. Kryukov

Chairman of the Board of OJSC RUSSIAN DEVELOPMENT BANK (RDB)

## Top-priority Business Lines

OJSC RUSSIAN DEVELOPMENT BANK (RDB) was established in 1999 under Article 128 of Federal Law No. 36-FZ, of February 22, 1999, "On the Federal Budget for 1999." In 2008, in accordance with Article 8 of Federal Law "On Bank for Development", the state-owned shares in RDB were contributed to the charter capital of Vnesheconombank.

RDB is a bank with many years of experience in rendering financial support to small and medium-sized enterprises in all federal districts of the Russian Federation.

RDB's core business is aimed at financing SMEs operating in the productive and innovative segments, which contributes to the real sector development, job creation and the growth in tax revenues

RDB implements the program of financial support for SMEs using a double-tier system: funds are extended to partner banks and infrastructure organizations (leasing and factoring companies, micro-financial institutions), which, in their turn, support SMEs. Consequently, using in its work the PPP principles, RDB ensures program implementation throughout the entire Russian Federation without competing with profit-making banks.

In 2010, RDB successfully achieved all the targets and ensured efficient allocation of funds earmarked by the Government of the Russian Federation to support SMEs through Vnesheconombank, including the National Wealth Fund. As of January 1, 2011, the total aid for SMEs exceeded RUB 120.0 billion.

In 2010, RDB launched the Program for Innovation and Modernization Financing and started to provide financing for new industrial projects.

Appropriate financing within the program implies that only the projects moving from design development to enhancement and improvement qualify as the innovative ones. The innovation criteria are as follows: the availability of valid patents (or patent applications) and test data proving cost effectiveness, energy efficiency, environmental friendliness, technology or product safety.

In modernization project financing, a loan is extended for the purposes of purchasing new high-tech equipment and software; technologies (patents and/or licenses); cer-

## RDB in Figures

■ Year of establishment	1999
■ Charter capital as of January 1, 2011	RUB 14.660 million
■ Stake held by Vnesheconombank in the charter capital as of January 1, 2011	100%
■ Total aid for SMEs as of January 1, 2011	More than RUB 120.0 billion
■ Actual headcount as of January 1, 2011	304 employees

tifying engineering processes as meeting the existing requirements and standards, including the environmental ones.

During 2010, 29 partner banks were engaged in co-implementing the Program of Financial Support for SMEs in Innovations and Modernization (RUB 8.8 billion credit ceiling was set). As of January 1, 2011, loan agreements with partner banks in the amount of RUB 6.5 billion were signed. SME projects receiving financial support under the Innovation and Modernization Financing Program are in progress in 11 constituent entities of the Russian Federation.

In 2010, RDB was awarded a Special Prize of the Grand Prize Festival of the Association of Russian Banks "For Active Participation in National Programs." For its SME support efforts, RDB also won an award by the Expert RA agency in the category "For Creating Small Business Supportive Infrastructure in Regions"

## POST-REPORTING-PERIOD EVENTS

In accordance with the decision of RDB's sole shareholder, Vnesheconombank, dated February 9, 2011, RUSSIAN DEVELOPMENT BANK Open Joint-Stock Company (OJSC RUSSIAN DEVELOPMENT BANK (RDB)) was renamed to become OJSC Russian Bank for Small and Medium Enterprises Support (SME Bank).

For details of the Bank's major business lines, see [www.mspbank.ru](http://www.mspbank.ru).

## Development Strategy

RDB's Development Strategy for 2011-2015 was approved by the Board of Vnesheconombank in February 2010.

In accordance with RDB's Development Strategy for 2011-2015, the Bank's mission is to develop non-commercial and innovative SME sectors by extending long-term and affordable loan resources to creditworthy SMEs throughout the Russian Federation and by rendering other support through a network of partner banks and SME support infrastructure entities.

The major Strategy lines aim to ensure the geographical presence of RDB's programs in all regions of the Russian Federation, to develop interaction with the partner banks and infrastructure entities, to raise the accessibility and affordability of SME aid by reducing the cost of resources for SMEs and extending long-term resources.

The Strategy implementation will make RDB a key instrument in implementing state SME development policy for:

- diversifying the economy structure;
- raising the employment rate;
- increasing the share of SMEs in GDP;
- increasing tax revenues;
- nurturing middle class.

The main effect of the implementation of RDB's Development Strategy for 2011-2015 will be a significant increase in the share of SMEs in the Russian economy and the volume of RDB's financing for developing the innovative industrial segment of SMEs in all regions of Russia. By late 2015, the aid for SMEs through RDB will total RUB 250.0 billion

## Management Structure

The functions, powers and operating procedures of RDB's governing bodies are defined in the Federal Law "On Joint-Stock Companies" and RDB's Articles of Association.

The Supervisory Board of RDB carries out the general management of the Bank's activities except for issues classified by the Federal Law "On Joint-Stock Companies" and the Bank's Articles of Association as falling within remit and competences of the General Meeting of Shareholders.

In 2010, the members of RDB's Supervisory Board were President of the all-Russian non-governmental organization of small and medium business OPORA RUSSIA, Chairman of RDB's Board and executives of the Russian Government and Vnesheconombank who are well-recognized for their professionalism in economic, environmental, social and other issues.

In 2010, the Supervisory Board of RDB assessed its own performance using the criteria recommended by the CBR for assessing the corporate governance system. The assessment revealed the strengths of RDB's corporate governance and highlighted the potential for raising efficiency.

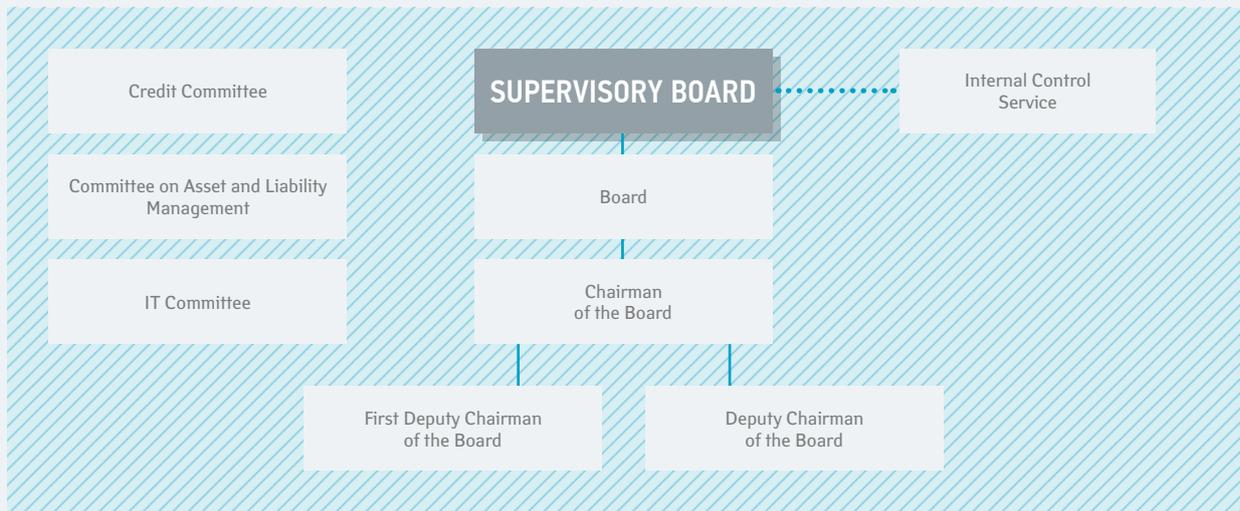
As of January 1, 2011, RDB had in place three standing collegial working bodies (committees) reporting to the Board of RDB:

- Credit Committee;
- Committee on Asset and Liability Management;
- IT Committee.

## Stakeholder Engagement

RDB participates in non-profit organizations aiming to contribute to developing SMEs in Russia and the banking system of the Russian Federation. As of January 1, 2011, RDB was a member of the National Foreign Exchange Association, the Association of Russian Banks, the Association of Regional Banks of Russia.

## Management Structure



## The Supervisory Board by Gender and Age

Age	Female	Male	Total
■ Up to 30	-	1	1
■ From 31 to 50	-	2	2
■ From 51	-	2	2
■ Total	-	5	5

## The Board by Gender and Age

Age	Female	Male	Total
■ Up to 30	-	-	-
■ From 31 to 50	1	2	3
■ From 51	-	-	-
■ Total	1	2	3

In 2010, RDB joined the Russian Union of Industrialists and Entrepreneurs, an all-Russia organization acting on behalf of the business community in issues of financial support for SMEs, etc.

To assess the level of partners and SMEs' satisfaction with RDB's services and products, the Bank's official website opened a hotline on SME support programs. Moreover, RDB conducts regular surveys of its partners, arranges conferences and roundtables.

In 2011, RDB plans to improve the quality of SME support program assessment. To that end, RDB established a center for analytics, which will, among other things, scrutinize the satisfaction level of SMEs, partners, regional and municipal authorities

Furthermore, RDB actively interacts with the all-Russian non-governmental organization of small and medium business OPORA RUSSIA, the Russian Microfinancial Center, Delovaya Rossiya and other public and self-regulatory organizations in the field of SMEs, which ensures feedback on the program implementation.

## Ensuring Access to Loan and Financial Products and Services in Sparsely Populated and Insufficiently Developed Regions

To efficiently allocate state funds over the entire country and ensure equal access to SME financing, RDB applies a mechanism of setting and using the regional limits established based on proposals from the Ministry of Economic Development of the Russian Federation.

Partner banks rendering financial support to regional SMEs receive quotas within the region's overall limit. Due to the system of regional limits, partner banks currently operate in all the constituent entities of the Russian Federation, with the exception of the Nenets Autonomous District and the Chechen Republic.

RDB has partners in all the insufficiently developed regions<sup>12</sup> (with the exception of the Chechen Republic): it has established relations with 95 partner banks; 87 outlets of the partner banks have been opened and 12 infrastructure entities started operating.

The partner banks' branches are located not only in the administrative centers of the regions, but also in remote settlements. As of January 1, 2011, a total of 854 outlets were functioning

RDB places a special focus on supporting SMEs in regions characterized by challenging economy and insufficiently developed entrepreneurship. For the purposes of expanding the scope of support, these regions implemented the new Refinancing-Region loan product, offering more beneficial SME support terms (5.5% per annum for a period of 3 years or less). The product implementation contributes to reduced regional imbalances. For example, in 2010, the scope of aid for SMEs in the North Caucasian Federal District, which is among the most economically challenging ones, almost doubled.

Vnesheconombank and RDB plan to further improve the line of loan products by becoming more focused on re-

12. For the purposes of this Report, insufficiently developed regions include the constituent entities of the Russian Federation, which as of January 1, 2010, occupied the bottom 20 positions in the ranking prepared by the Institute for Economic Strategies in key development indicators of the Russian Federation regions (see <http://www.inesnet.ru/ratings/rating-reg-2009>).

gions in an adverse socio-economic situation, where it is hard to find channels to render loan support for SMEs (including single-industry towns).

Furthermore, developing microfinance in sparsely populated areas is another option to facilitate access to financing for SMEs (the extension of loans to SMEs within RUB 1.0 million).

## Initiatives Intended for Raising Financial Awareness

Since SMEs are major end-recipients of RDB's services, the Bank's activity aimed at raising financial awareness is targeted toward this very category.

Financing offered to LINK Institute for International Management, a non-governmental institution of higher professional education, is another example of RDB's effort to raise public financial awareness and facilitate SME access to business education.

In 2010, supported by RDB, 1414 businessmen from Moscow and the Moscow Region attended the training courses at LINK Institute for International Management, with 44 people participating in workshops; 208 people – in remote training programs; 1.162 people – in the Internet courses

Moreover, as part of making business education more available, RDB and Financial University under the Government of the Russian Federation are implementing a program of distance training for SMEs. A similar project is also co-implemented with a partner, NPP Alliance Media. Additional negotiations are held with a number of educational institutions on implementation of similar programs.

RDB's website at: [www.mspbank.ru](http://www.mspbank.ru) provides information support for SMEs. The year 2010 saw about 2 million user visits.

Information on the procedure of business registration and planning, reporting and audits is made available in the "Small and Medium Business" section. It also serves as a source of information for generation of new business ideas

## Charity

In 2010, RDB's charity effort was aimed at supporting the banking system, SME development institutions and education.

## HR Policies

The actual headcount of RDB, as of January 1, 2011, was 304 employees. In 2010, the employee turnover rate was 0,1%.

In 2010, the principal areas of RDB's personnel policy were as follows:

- developing professional skills and raising employee qualifications;
- improving the personnel incentive system.

The personnel was trained to upgrade the professional level necessary to comply with the job profile and build the respective professional capacities. In 2010, the average number of training hours per employee was 3.1 hours.

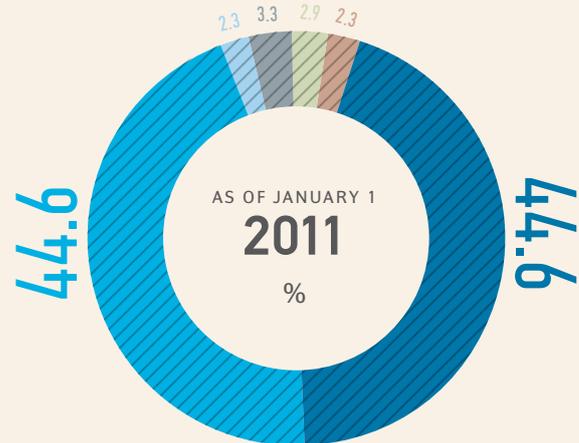
In 2010, employees of all structural units underwent training courses as scheduled in accordance with the legal requirements (Plan of Implementation of the Program for AML/CTF Training for RDB's Employees).

All of the newly recruited employees go through mandatory safety orientation. All division managers and employees accountable for health and safety events are trained at specialized training centers.

The reporting year witnessed entry into force of the Technical Regulations setting forth the Procedure for Paying Monthly Bonuses to the RDB Employees that makes bonus amounts performance-related (achievement of KPIs) in core business divisions.

For the purposes of retaining qualified employees, RDB uses a system of non-financial incentives. Employees are entitled to all benefits provided for by the Labor Code of the Russian Federation. Employees hold voluntary health insurance (VHI) policies under 12 various programs and are entitled to reimbursement for expenses in connection with health care activities.

## Areas of Charity Activities (as % of Allocations)



- Support for the banking system and SME development institutions
- Support for education
- Support for arts and culture
- Assistance to children
- Assistance to veterans
- Other

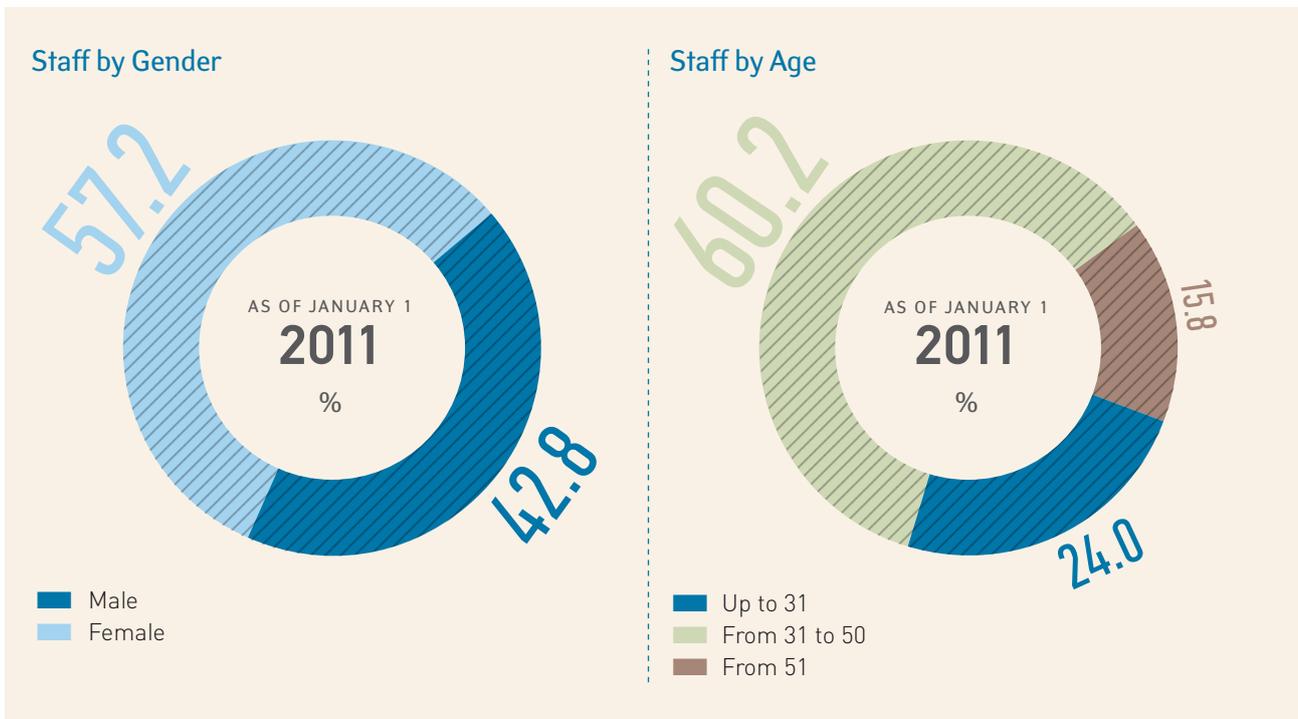
RDB approved the Code of Corporate Ethics specifying the standards of conduct for the Bank's employees. Its fundamental principles are respect for colleagues, partners and customers, proper communication skills, business style behavior.

## Measures for Mitigating Environmental Impacts

This Report contains data about electricity, heat and cold water consumption in RDB's office building located in Moscow.

In 2010, RDB took a number of measures to reduce resource consumption, namely:

- applied virtualization tools to cut down the quantity of servers, which allowed for office space and engineering infrastructure savings;
- developed a system of joint use of corporate network resources based on Wi-Fi technology, which allowed



for automating the meeting procedures and optimizing paper and electricity consumption;

replaced outdated plumbing equipment.

Despite the action taken to reduce resource consumption, 2010 saw a minor increase in heat consumption due to the longer heating season and lower average monthly outdoor temperature relative to the norm. Electricity consumption growth was caused by the intense use of air conditioners in 2010.

For the purposes of mitigating the environmental impact of RDB's activities, measures are also taken to utilize haz-

ardous and municipal solid waste. Hazardous waste (batteries and car tyres, fluorescent lamps) is utilized by service entities on a contractual basis. Municipal solid waste is removed and utilized at the service entity's disposal facilities in compliance with the effective contract.

With a view to reducing paper consumption, the employees were given oral instructions from RDB's management to use double-sided document printing and to print on copies whenever possible. For the purposes of saving consumable materials, it is recommended that the employees do not print out interim documents in color. Furthermore, all printers are set to print in an economy mode and go into standby mode when idle.

### Average Number of Training Hours per Employee of RDB

Category of Employees	Headcount	Total Number of Training Hours	Average Hours per Employee
■ Top managers	22	110	5.0
■ Employees	282	846	3.0
■ Total	304	956	3.1

### Electricity, Heat and Cold Water Consumption

Indicator	2009	2010	Change
■ Electricity, GJ	2,013.6	2,163.5	+149.9
■ Heat, GJ	1,128.6	1,190.3	+61.7
■ Water, cubic meters	1,858.0	1,813.0	-45.0

### Paper Consumption

Indicator	2009	2010	Change
■ Paper (MT)	103.5	137.7	+ 34.3

### Emissions of CO<sub>2</sub>

Indicator	2009	2010	Change
■ Total distance traveled, thousand km	309.0	293.1	- 15.9
■ Total fuel consumed, thousand liters	64.9	60.5	- 4.4
■ Emissions of CO <sub>2</sub> , tonnes per annum	147.5	137.4	- 10.1

Owing to the measures taken, although the average head-count grew by 32.2% versus 2009, an increase in paper consumption recalculated per employee, resulting from the grown scope of work, is minor (2.78%). Due to the expanded electronic workflow system, it is planned to significantly reduce the quantity of hardcopies.

The reduction of CO<sub>2</sub> emissions resulting from the employees' business trips was achieved due to fuel savings caused by strengthened control over the use of motor vehicles and implementation of monthly limits on fuel consumption by the motor vehicles (all categories of users).

With a view to easing a negative environmental impact of RDB's activities, in 2011, it is proposed to:

■ strengthen control over fuel, electricity, heat and water consumption;

■ replace incandescent lamps with energy savers throughout the building;

■ strengthen organizational measures aimed at reducing the consumption of paper and consumables.

In 2010, RDB's environmental protection expenses were RUB 330.0 thousand



# 4.3

## CJSC ROSEXIMBANK

“CJSC ROSEXIMBANK’s mission is to perform the functions of an agent for the Government of the Russian Federation in rendering public financial (guarantee) support for the Russian industrial exports and pursuing a uniform public policy on environmental and energy-saving investment projects under cooperation programs with international financial institutions. In identifying cooperation priorities, not only is CJSC ROSEXIMBANK governed by the pay-back principles but it rather focuses on projects aimed at social development and environmental protection. By accomplishing these objectives, CJSC ROSEXIMBANK contributes to the improvement of the future generations’ living standards”.

N. V. Gavrilov,  
Chairman of the Board of ROSEXIMBANK

## Priority Business Lines

State Specialized Russian Export-Import Bank (closed joint-stock company) (CJSC ROSEXIMBANK) (hereinafter "ROSEXIMBANK") was established in 1994 pursuant to Resolution by the Council of Ministers and the Government of the Russian Federation No. 633 of July 7, 1993, "On Establishment of the Russian Export-Import Bank" and Resolution by the Government of the Russian Federation No. 16 of January 11, 1994, "On the Russian Export-Import Bank." Since October 2008, Vnesheconombank has been the sole shareholder of ROSEXIMBANK.

ROSEXIMBANK acts as an agent bank of the Russian Government in pursuing a uniform state policy of supporting and encouraging domestic industrial exports. In particular, ROSEXIMBANK issues and maintains Russian state guarantees, as well as delivers environmental and energy-saving investment projects under cooperation programs with international financial institutions.

In its agent capacity, ROSEXIMBANK extends loans and provides guarantees for export-oriented projects, which can not be implemented using standard market financial mechanisms and require public financial support.

The major business lines of ROSEXIMBANK as an agent for the Russian Government are shaped based on the Concept of Development of Public Financial (Guarantee) Support for Industrial Exports in the Russian Federation and include:

■ **export lending.** Export loans are extended for the purpose of financing product/service deliveries under export contracts with Russian enterprises. The export loans with the borrowers' obligations secured by the Russian state guarantees are extended subject to the parameters and conditions provided for by the Federal Law on Federal Budget for the year concerned and the Rules on the Russian State Guarantees Issued in Foreign Currency to Render Public Support for Industrial Exports (Goods, Works, Services);

■ **pre-export financing.** Pre-export financing of Russian exporters is performed at the production and realization stage of exportable products/services in order to provide producers with highest quality comprehensive services and ensure the growth of their export potential. In this group of borrowers, ROSEXIMBANK gives prior-

## ROSEXIMBANK in Figures

■ Year of establishment	1994
■ Charter capital as of January 1, 2011	RUB 951.0 million
■ Stake held by Vnesheconombank in the charter capital as of January 1, 2011	100%
■ Loan portfolio as of January 1, 2011	RUB 5.07 billion
■ Actual headcount as of January 1, 2011	145 employees

ity to the enterprises whose products are on the list of industrial exports eligible for state guarantee support;

Using the funds raised against the Russian state guarantees in 2010, ROSEXIMBANK engaged in export and pre-export investment lending to Russian exporters operating in such industries as power engineering and transport machine building, shipbuilding, timber, pulp-and-paper, leather and textile.

Loans were extended for the purposes of exporting high-tech industrial products (equipment, aircraft, vessels, rolling stock) and products of high value-added and export efficient processing industries

■ **financing of investment projects delivered in the Russian Federation using loans by international financial institutions and grants by various countries and foundations extended through international financial institutions and private investment banking groups;**

■ **financing of investment projects delivered in the Russian Federation with the participation of foreign capital.** Direct foreign investment is a factor of economic growth and an additional source of capital investment in the production of goods and services accompanied by transfer of technologies, know-how, and state-of-the-art management methods, and changing the structure and evolution of the national economy;

participation in the implementation of investment projects in third countries. In 2010, ROSEXIMBANK prepared proposals for project finance of Russian industrial product deliveries to Latin America, North America, Europe, CIS countries and the Middle East.

The details of ROSEXIMBANK's major business lines are available at: [www.eximbank.ru](http://www.eximbank.ru).

## ROSEXIMBANK's Development Concept (Major Lines)

ROSEXIMBANK's Development Concept (Major Lines) (hereinafter the "Concept") was adopted by the Board of Directors of ROSEXIMBANK in December 2009 and approved by the Board of Vnesheconombank in February 2010.

In accordance with the Concept, ROSEXIMBANK acts as a national Export Credit Agency (ECA). In this regard, ROSEXIMBANK pursues the following objectives:

long-term export lending at the rates comparable with those of export credit agencies of the Organization for Economic Co-operation and Development (OECD) Member States;

facilitating Russian companies' access to trade financing under contracts executed in high-risk countries;

securitization of debt claims arising under export contracts.

ROSEXIMBANK will evolve as a national Export Credit Agency while remaining integrated into Vnesheconombank structure. This will ensure coordination of programs for lending to export-oriented industries and programs of loan and guarantee support for large-scale export projects, the provision of the full range of financial banking products and services

Ultimately, ROSEXIMBANK should become an effective financial instrument of foreign economic policy of the Russian Federation to promote the Russian capital expansion in external markets. Thus, its presence in the United Nations and the World Bank programs on sustainable growth of the world economy will be adequate to Russia's political and economic weight.

## Management Structure

The procedure for interaction among ROSEXIMBANK's governing bodies, executive bodies and divisions, as well as the system for distributing powers /delegating responsibilities and preventing conflict of interest are governed by the internal regulatory documents of ROSEXIMBANK operating under the license issued by the Bank of Russia.

On a regular basis, ROSEXIMBANK submits to the Ministry of Finance of the Russian Federation and the Accounts Chamber of the Russian Federation reports on ROSEXIMBANK's acting as an agent for the Government of the Russian Federation. ROSEXIMBANK's compliance with the requirements set forth in the applicable regulations and fulfillment of the agency functions is monitored by the Bank's internal control system.

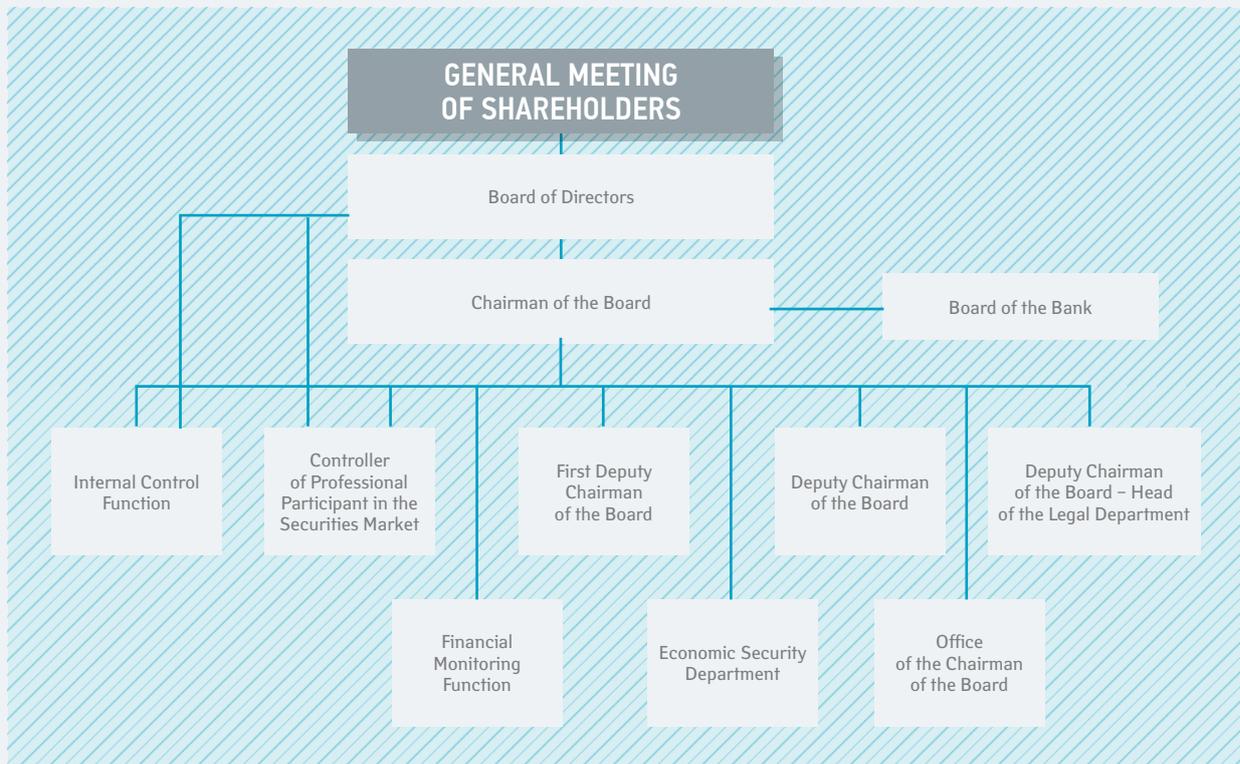
## Stakeholder Engagement

ROSEXIMBANK attaches paramount importance to performing the functions of an agent for the Government of the Russian Federation, complying with the regulatory requirements of the Bank of Russia, providing high-quality services to customers, as well as to building up and protecting its business and professional reputation.

To foster interaction with business partners, ROSEXIMBANK participates in such organizations as Moscow Interbank Currency Exchange, the Association of Russian Banks, the Association of Bill Market Participants, S.W.I.F.T., the Russian National S.W.I.F.T. Association, Brussels International Banking Union, Non-Profit Organization Russian Financial Banking Union, Non-Profit Partnership National Committee for Economic Cooperation with Latin American Countries.

Performing agency functions related to support for Russian industrial exports and cooperation with international financial institutions, ROSEXIMBANK, on a regular basis, organizes and participates in dialogue events (conferences, forums, workshops, business meetings, meetings of unions, associations, government and inter-government commissions, meetings of the Ministry of Industry and Trade of the Russian Federation, the Ministry of Economic Development of the Russian Federation, etc.).

## Management Structure



ROSEXIMBANK renders advisory and expert support for its customers and counterparties on matters including state financial (guarantee) support for the Russian exports.

Since 2009, ROSEXIMBANK has cooperated with Propaganda Center for Communication Technologies with a view to promoting the system of state financial (guarantee) support for exports, and developing cooperation programs with international financial institutions, as well as informing Russian exporters. The year 2010 witnessed:

- a substantial increase in the number of publications about the state guarantee support for industrial exports (by 80% on the same period of 2008-2009, of which the number of in-house publications increased by 210% and publications explaining the Bank's agency functions – by 516%);

- over 700 publications commenting on, analyzing and mentioning the role of ROSEXIMBANK in the state support for the Russian industrial exports;

- prevalence of publications on support for raw-material exports gave way to an increased number of publications on support for high value-added exports.

## Environmental Investment Projects

ROSEXIMBANK takes decisions on project finance based not on the fundamental lending principles (such as project-related risks and performance indicators, the borrower's financial position, forms of collateral) alone but also with due regard for the project compliance with the environmental standards effective in the host country of the project.

In 2010, in the context of the World Bank cooperation program, ROSEXIMBANK successfully completed financing of a number of investment projects:

- Modernization of Timber Processing Facilities at OJSC Novovyatsky Ski Factory;

### The Board of Directors by Gender and Age

Age	Female	Male	Total
■ Up to 30	-	-	-
■ From 31 to 50	-	3	3
■ From 51	-	4	4
■ Total	-	7	7

### The Board by Gender and Age

Age	Female	Male	Total
■ Up to 30	-	-	-
■ From 31 to 50	1	2	3
■ From 51	2	1	3
■ Total	3	3	6

■ Reconstruction of the Woodchip Board Production line at OJSC Novovyatsky Ski Factory;

■ Mitigation of Harmful Effects on the Upper Volga River Basin by Upgrading the Primary and Auxiliary Production and Treatment Facilities at CJSC Ostashkov Leather Factory.

The projects aim to solve environmental problems faced by Russian industrial enterprises and increase the competitiveness of their products due to a technological advantage, as well as better quality and broader range of finished products. The long term of extended loan resources and the low cost of borrowings allowed the Russian companies to implement these projects with a considerable environmental component in compliance with the standard performance indicators for investment projects.

Implementation of the investment project on the Mitigation of Harmful Effects on the Upper Volga River Basin by Upgrading Primary and Auxiliary Production and Treatment Facilities resulted in the reduction in harmful discharges by CJSC Ostashkov Leather Factory to Lake Seliger (in particular, in the volume of waste removed to the waste disposal site, discharges to Lake Seliger and air emissions). In addition, the project included modernization of the heating system in the Ostashkov town, which made it possible to save resources by reducing water, power and heat consumption.

The environmental and social performance indicators of the above-mentioned investment projects were assessed based on the World Bank’s standards known as Safeguard Policies<sup>13</sup>.

### Charity

The principal areas of charity work performed by ROSEXIMBANK in 2010 included support for education, cultural institutions and children’s healthcare.

### HR Strategy

The actual headcount of ROSEXIMBANK as of January 1, 2011, was 145 people.

In 2010, ROSEXIMBANK’s employee turnover rate was 6.5%.

The principal areas of ROSEXIMBANK’s HR strategy in 2010 were as follows:

■ professional training and development of the staff to improve professional skills and knowledge;

13. Full description of the requirements is provided in the Operational Policies on the Environmental Assessment of Forestry (OP/BP 4.36), Natural Habitats (OP 4.04), Environmental Assessment (OP/BP/GP 4.01).

■ development of the staff incentive system.

The principal type of training is workshops involving lecturers from among the managers and employees of the Bank of Russia. In 2010, workshops focused on lending and project finance, preparation of financial statements (in particular, in accordance with IFRS), changes in the accounting system of banks and taxation, operations in the securities market, measures aimed at anti-money laundering and combating terrorism financing.

The average number of training hours per employee of ROSEXIMBANK was 3.5 hours.

Training in anti-corruption policies and procedures is part of AML/CTF work. In 2010, AML/CTF training was undertaken by 88 employees of ROSEXIMBANK, i.e. 60% of the total headcount.

Staff capacity building on the implementation of environmental and social policies takes place as part of the staff participation in the IBRD's projects on financing of the environmental management project and the pilot project on sustainable forest exploitation; in the meetings and roundtables held by specialized ministries, professional industrial unions; topical workshops conducted by expert organizations.

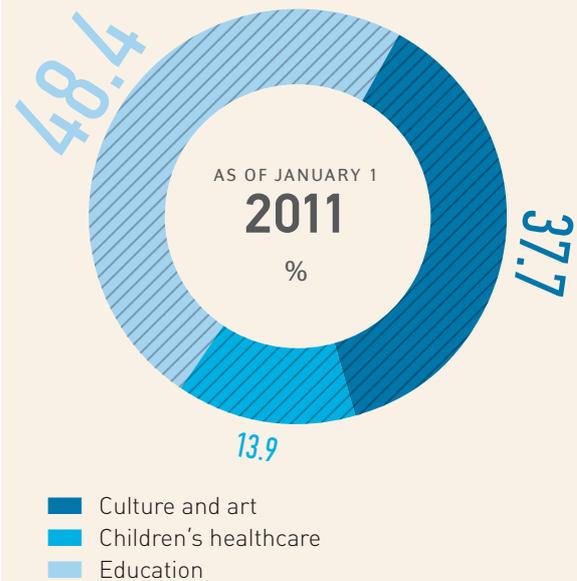
The programs of social support for the employees include additional paid leaves (marriage, baby birth, death of close relatives) and social welfare benefits:

■ partial reimbursement of employees for meal expenses due to the unavailability of catering options in the ROSEXIMBANK office building;

■ allowance for employees in addition to the annual leave, in connection with marriage, baby birth, retirement, death of close relatives, to employees with large families; employees on maternity leave before children reach the age of 3 years; single parent employees with children aged under 18; employees who suffered a financial loss under emergency circumstances; allowance for the deceased employee's family;

■ reimbursement for the difference between the employee's actual salary and sickness benefit paid from the Social Insurance Fund.

Areas of Charity Activities  
(as % of Allocations)

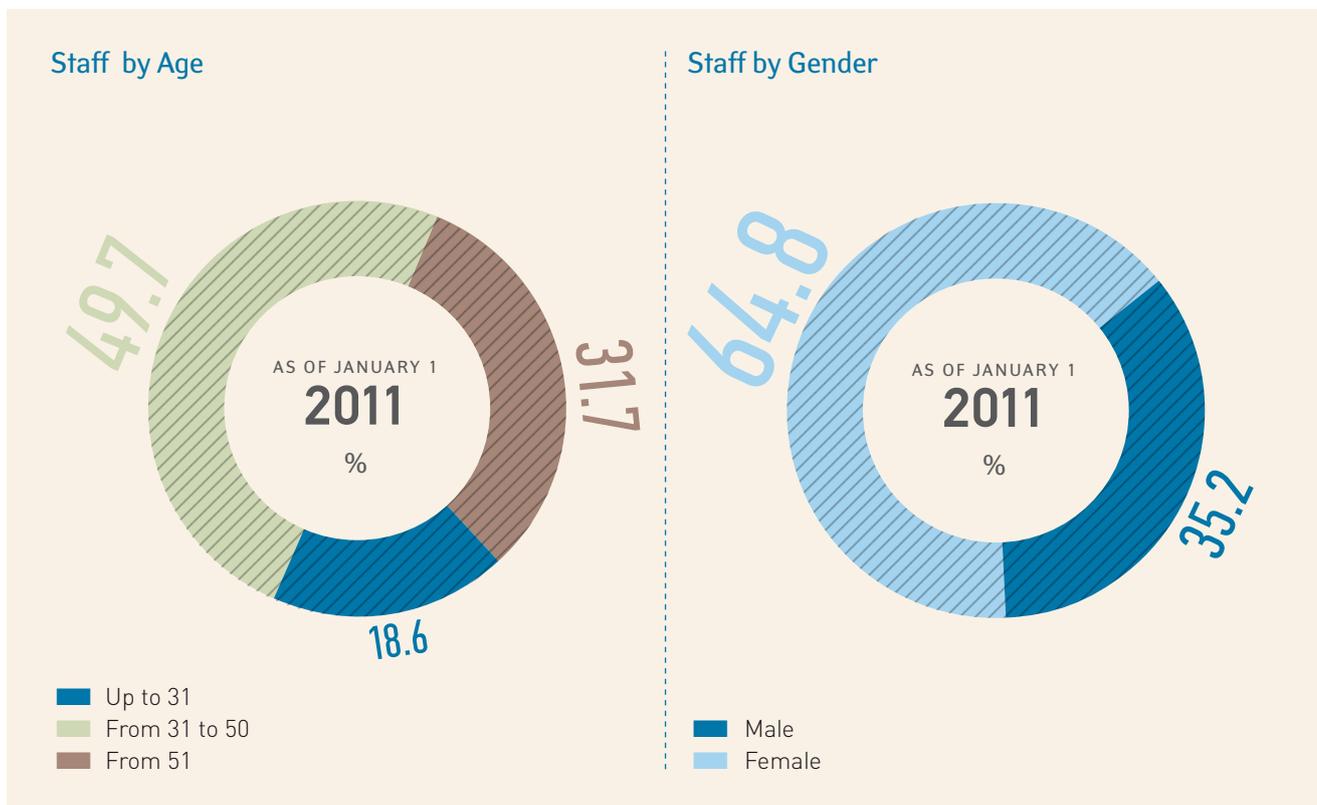


The Bank adopted the Provisions on Incentives for Employees, which provide for financial and non-financial incentives in the form of expression of gratitude, bonus payments, valuable gifts, Honorary Diploma by the Board of the Bank, The Best Performing Employee of the Year, and Exemplary Employee of the Bank awards. Furthermore, ROSEXIMBANK provides the employees with voluntary medical insurance.

ROSEXIMBANK takes necessary measures to ensure the safety of employees and visitors in emergencies: the premises are guarded 24 hours a day; the office building is equipped with security and fire alarm systems, as well as access control and video surveillance systems. The Bank has an Action Plan in place to ensure operational continuity and recovery in case of emergency.

### Measures for Mitigating Environmental Impacts

Resource consumption is recorded in the Moscow office building leased to ROSEXIMBANK.



For the purposes of reducing energy consumption, in 2010, ROSEXIMBANK had:

- additional electric power grids assembled to unload the existing grids;
- incandescent lamps replaced with energy-saving lamps.

Hazardous and municipal solid waste is utilized by specialized entities upon contractual terms and conditions. Paper is shredded and delivered to contractor for subsequent recycling/disposal.

2010 witnessed a minor growth in electricity and heat consumption mainly due to the climate changes as compared to the norm and an increase in operations and the scope of work.

The reduction in paper consumption in 2010 is achieved due to the transition to electronic workflow and the use of double-sided printing.

An increase in total distance traveled and fuel consumption of motor vehicles is caused by a higher volume of operations and correspondence.

To ensure further reduction in electricity and heat consumption, in 2012, it is planned to replace window frames in all premises of ROSEXIMBANK.

In 2010, the environmental expenditures of ROSEXIMBANK amounted to RUB 201.4 thousand



### Average Number of Training Hours per Employee in 2010

Staff Category	Headcount	Total Hours	Average Hours per Employee
■ Senior managers	19	128	6.7
■ Middle managers	30	121	4.0
■ Specialists	96	255	2.7
■ TOTAL	145	504	3.5

### Electricity, Heat and Cold Water Consumption

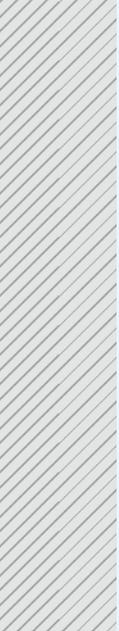
Indicator	2009	2010	Change
■ Electricity, GJ	1076.8	1160.3	+ 83.5
■ Heat, GJ	1787.8	1821.3	+ 33.5
■ Water, cubic meters	1750.0	2008.0	+ 258.0

### Paper Consumption

Indicator	2009	2010	Change
■ Paper (MT)	61.2	56.2	-5.0

### Emissions of CO<sub>2</sub>

Indicator	2009	2010	Change
■ Total distance traveled, thousand km	195.5	210.3	+ 14.8
■ Total fuel consumed, thousand liters	40.4	47.6	+7.2
■ Emissions of CO <sub>2</sub> , tonnes per annum	91.8	108.2	+16.4



# 4.4

## OJSC SVYAZ-BANK

“In 2010, SVYAZ-BANK’s business growth rates outpaced the average market trends in the banking service segment. Effective personnel policy allowed us to build a team of highly-professional managers capable of implementing the formulated plans at the highest level. SVYAZ-BANK intends to proceed with the strategy of smooth growth and sustainable development: to raise operational efficiency by increasing business volumes and covering new customer groups, to develop key business lines such as corporate and individual services, debt finance, international business, as well as to expand regional presence and implement innovative technologies”.

D. A. Nozdrachev,

President – Chairman of the Board of OJSC SVYAZ-BANK

## Top-Priority Business Lines of OJSC SVYAZ-BANK

OJSC SVYAZ-BANK (hereinafter "SVYAZ-BANK") was founded in 1991 at the initiative of the Ministry of Communications of the USSR to develop the communications and IT system industry.

In 2009, Vnesheconombank acquired 99.4666% of the shares in SVYAZ-BANK and became its majority shareholder. The purchase by Vnesheconombank of a stake in the charter capital of SVYAZ-BANK was necessitated by the need for urgent stabilization of one of the largest retail banks in the Russian Federation and Industrial Communication Bank.

SVYAZ-BANK is a multi-functional commercial bank providing a wide range of banking services to corporate clients and individuals in Moscow and Russian regions.

As of January 1, 2011, the branch network of SVYAZ-BANK comprised 50 regional branches and 144 outlets. The scope of responsibility of SVYAZ-BANK also includes two subsidiary banks, namely: CJSC JSCIB Pochtobank and OJSC Gelendzhik-Bank. The geography of SVYAZ-BANK presence covers 51 constituent entities of the Russian Federation.

In 2010, the Bank ranked 10th in the Most Profitable Banks List by the Finance magazine.

Fitch Ratings for the first time assigned to SVYAZ-BANK Issuer Default Rating, or IDR, in foreign and national currency at BB level, short-term IDR rating at B level, individual D/E rating, support rating at "3" and national long-term rating at AA-(rus).

Long-term IDR and national long-term ratings have a stable outlook.

In 2010, SVYAZ-BANK was included in the list of the banks, which can place pension savings for military personnel housing on RUB-denominated deposits as published by the Federal Financial Markets Service of Russia (FFMS). The FFMS list is made based on a number of conditions, including such indicators as equity, positive financial result for the previous reporting year and the most recent reporting period of the current year. Inclusion in the FFMS list evidences the Bank's financial stability.

## SVYAZ-BANK in Figures

■ Year of establishment	1991
■ Charter capital as of January 1, 2011	RUB 19.026 billion
■ Stake held by Vnesheconombank as of January 1, 2011	99.4666%
■ Loan portfolio as of January 1, 2011	RUB 98.4 billion
■ Geographical presence	51 constituent entities of the Russian Federation
■ Actual headcount as of January 1, 2011	3,226 employees

For the major business lines of SVYAZ-BANK, please visit [www.sviaz-bank.ru](http://www.sviaz-bank.ru).

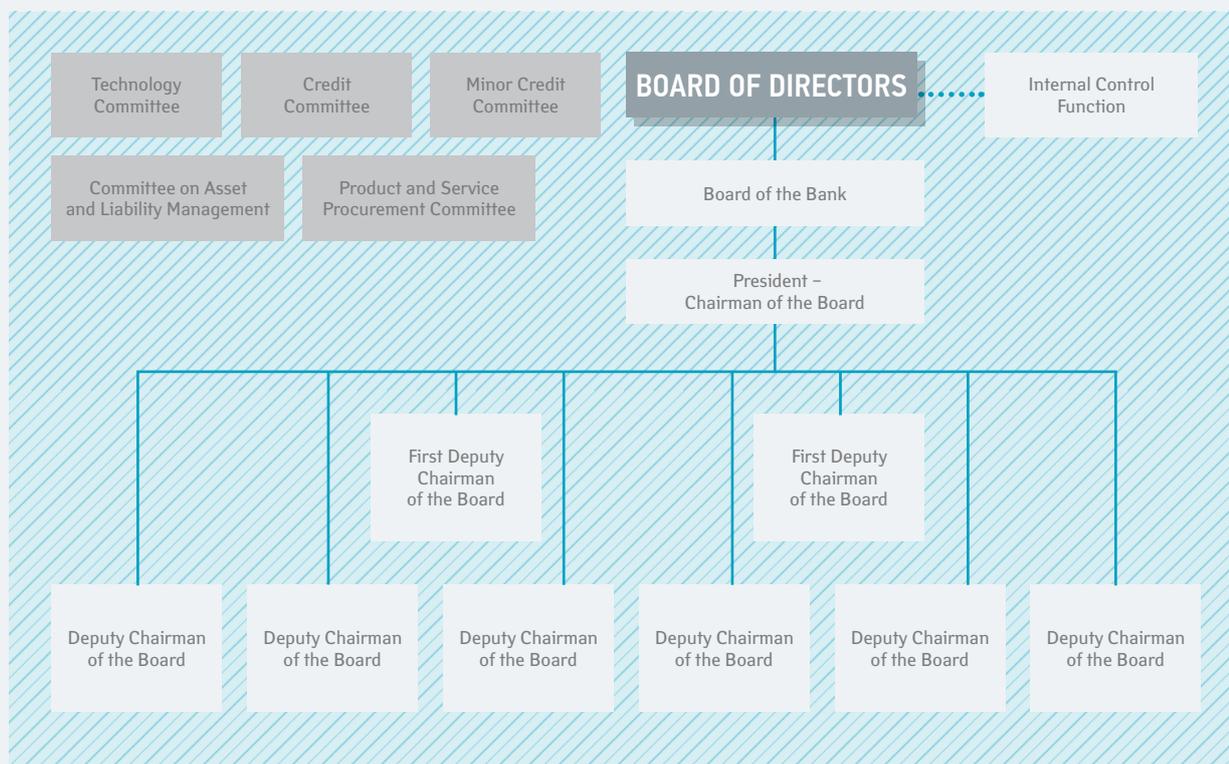
## SVYAZ-BANK's Development Strategy

As of January 1, 2011, SVYAZ-BANK's Development Strategy was not approved.

In December 2009, the Supervisory Board of Vnesheconombank adopted a resolution on the establishment of a working group comprising representatives of the ministries concerned, the Government of the Russian Federation, the Bank of Russia, FSUE The Russian Post and Vnesheconombank to develop a package of measures to establish the Postal Bank of the Russian Federation on the basis of SVYAZ-BANK.

When the final action plan for the Postal Bank establishment is adopted, the current business development plans of SVYAZ-BANK can be considerably amended.

## The Management



## The Management

To improve the governance, protect the rights and legal interests of the shareholders, ensure information disclosure and prevent corporate conflicts, SVYAZ-BANK adheres to the fundamental provisions of the Code of Corporate Conduct recommended for use by the Directive of the Federal Securities Market Commission of Russia.

## Stakeholder Engagement

The year 2006 witnessed the establishment of the Analytics Unlimited International Bank Club at the initiative of SVYAZ-BANK with participation of the Association of Regional Banks of Russia and International Coordination Council of Banking Associations of the Commonwealth of Independent States, Central and Eastern Europe (International Banking Council). The Club is an unincorporated and informal non-profit voluntary association.

The goal of the Club is to create common information and analytical space in the financial banking segment in the

CIS Member States, Central and Eastern Europe. In 2010, the Club organized 11 events (workshops, conferences) related to financial banking issues, interaction with national banks, banking associations and unions of the CIS Member States, Central and Eastern Europe. The club's website publishes, on a regular basis, analytical materials contributing to the creation of a common information and analytical space in the CIS Member States, Central and Eastern Europe.

In addition, SVYAZ-BANK is a member of the Association of Russian Banks, the Russian Union of Industrialists and Entrepreneurs, the Moscow Banking Union, the Association of Regional Banks of Russia, the Association of Banks of the Northwest, Russian Trading System Stock Exchange, Saint Petersburg Stock Exchange, National Stock Association, National Foreign Exchange Association (NFEA), Professional Association of Registrars, Transfer Agents and Depositories (PARTAD), the Russian Europay Members' Association, VISA Association, the Russian National S.W.I.F.T. Association, the Chamber of Commerce and Industry of the Russian Federation, Saint Petersburg Chamber of Commerce and Industry.

Reconstruction and modernization of OJSC Khabarovsk Oil Refinery

# INVESTMENT IN SUSTAINABLE DEVELOPMENT



ECONOMY

Vnesheconombank's commitment

# 780.0

USD mn



SOCIETY

Aiming at creating

# 298

new jobs



ENVIRONMENT

Expected Benefits

# 46%

reduction of polluting emissions

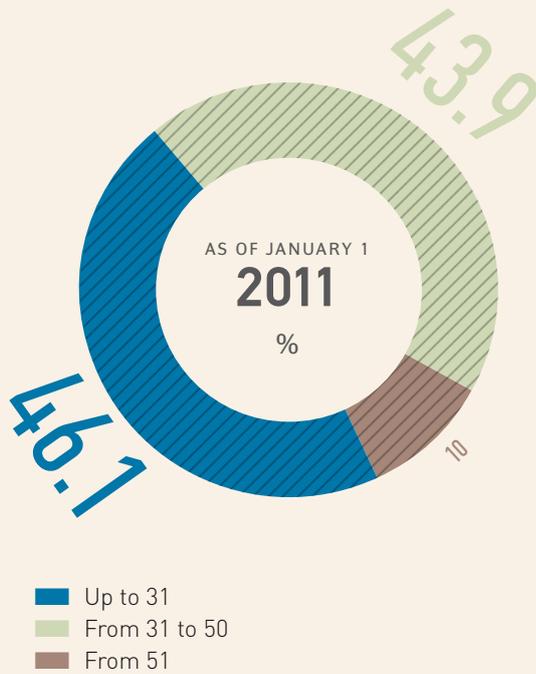
Manufacturing of high quality products that meet

# Euro-4 and Euro-5

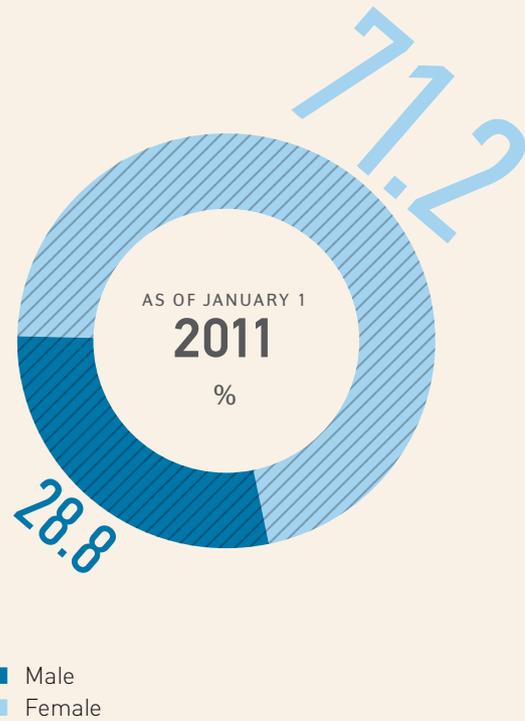
environmental standards



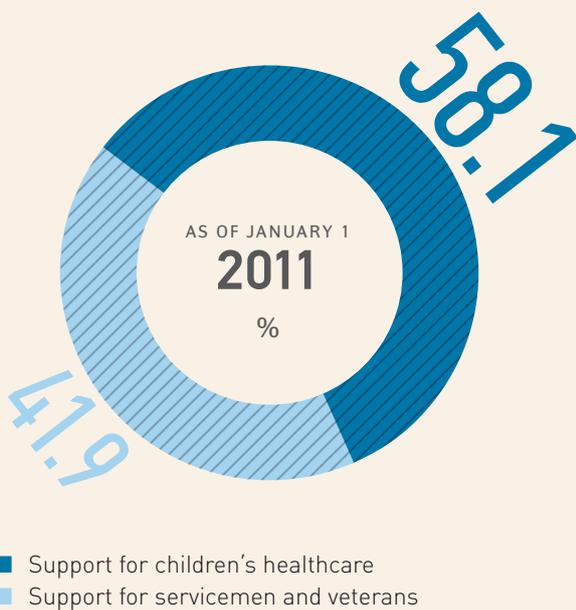
Staff by Gender



Staff by Age



Areas of Charity Activities  
(as % of Allocations)



Ensuring the Accessibility  
of SVYAZ-BANK's Services

To facilitate customer access to its services, the Bank has introduced the MEGAPAY online banking system. It is a remote banking service, which allows customers, including those from outlying regions, to execute banking operations through the Internet.

SVYAZ-BANK's newly opened offices are equipped to ensure access for disadvantaged groups of people.

As of January 1, 2011, twenty-three offices of SVYAZ-BANK were equipped with special ramps for wheelchair persons

Charity

The amount of charity allocations is determined by the Board of Directors of SVYAZ-BANK when approving the annual budget.

### The Board of Directors by Gender and Age

Age	Female	Male	Total
■ Up to 30	0	0	0
■ From 31 to 50	0	5	5
■ From 51	0	2	2
■ Total	0	7	7

### The Board by Gender and Age

Age	Female	Male	Total
■ Up to 30	0	0	0
■ From 31 to 50	1	6	7
■ From 51	1	2	3
■ Total	2	8	10

Decisions on financing of the specific projects and activities are adopted by the Bank's managers in compliance with their respective authorities and expertise and depending on the finance requested.

### HR Policy

As of January 1, 2011, the actual headcount of SVYAZ-BANK was 3,226 employees.

In 2010, the employee turnover rate was 19.6%.

The primary objectives of the Bank's HR policy in 2010 were to contribute to the business development while maintaining the same share of personnel expenses in the Bank's overall budget and ensuring personnel professional and motivational commitment to the Bank's strategic goals.

In 2010, the Board of SVYAZ-BANK approved the Concept of Building the Personnel Training System, which provided for the following activities:

- adaptation workshops for new employees of Moscow offices;

- integrated training program for employees of Moscow front office;

- travelling training workshops for employees of regional branches, etc.

In 2010, the average number of training hours per employee of SVYAZ-BANK was 24.3 hours.

Functional managers and employees in charge of occupational health and safety are trained on a regular basis. In 2010, thirty-seven managers from the Bank's divisions undertook a 40-hour occupational health and safety training program. The program covered such issues as the fundamentals of occupational health and safety, compliance with the respective requirements, social protection of the employees who suffered occupational injuries, etc.

Pursuant to Federal Law No. 115-FZ of August 7, 2001, "On Anti-Money Laundering and Combating the Financing of Terrorism," SVYAZ-BANK appointed a respective responsible employee, established a special function and approved the AML/CTF Internal Control Rules. The fundamental principle of the Rules is the involvement of all the Bank's employees irrespective of their position in detecting operations related to money laundering and the financing of terrorism.

In conformity with the Remuneration Regulations, the labour remuneration scheme comprises the basic salary; performance bonus; allowances, benefits, locality pay provided for by the laws of the Russian Federation; non-recurring bonuses for production and/or financial performance.

All remuneration payments and benefits are paid to all employees irrespective of the employment type (full- or part-time).

### Average Training Hours per Employee in 2010 by Staff Category

Staff Category	Headcount	Total Hours	Average Hours per Employee
■ Top managers	15	192	12.8
■ Specialists	533	13 126	24.6
■ TOTAL	548	13 318	24.3

### Measures for Mitigating Environmental Impact

SVYAZ-BANK conducts business mostly in leased offices. Therefore, the bank does not record its actual electricity, heat and water consumption. The cost of consumed energy is included in the rent or paid for as a fixed amount for reimbursing operating expenses.

SVYAZ-BANK takes measures to optimize its paper consumption. The year 2010 witnessed a paper consumption growth due to increased banking operations, primarily, retail deposits and lending.

In 2010, despite an increase in diesel fuel consumption due to the purchase of additional armored cash-in-transit vans,

the overall fuel consumption was reduced and, accordingly, air pollution emissions (CO<sub>2</sub>) went down by 4.5 tonnes per year.

To reduce negative environmental impacts, SVYAZ-BANK takes action under the existing agreements in respect of the disposal of waste paper, car tyres and tubes, office appliances, and batteries, as well as procures maintenance of the Bank's motor vehicles in accordance with the manufacturers' technical requirements/specifications and their regular official checkups.

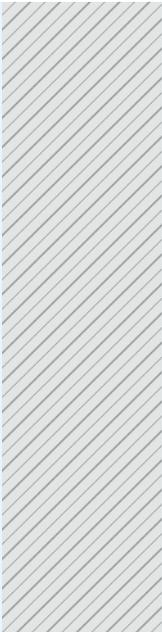
In 2010, environmental expenditures of SVYAZ-BANK amounted to RUB 199.9 thousand

#### Paper Consumption

Indicator	2009	2010	Change
■ Paper (MT)	410.4	449.1	+38.7

#### Emissions of CO<sub>2</sub>

Indicator	2009	2010	Change
■ Total distance traveled, thousand km	1180.2	1259.5	+79.3
■ Total fuel consumed, thousand liters	265.9	263.6	-2.3
■ Emissions of CO <sub>2</sub> , tonnes per annum	604.2	599.6	-4.5



# 4.5

## CJSC GLOBEXBANK

“In 2010, CJSC GLOBEXBANK consistently worked to accomplish the strategic objective of increasing capitalization and improving performance in volume terms. Special emphasis was placed on the interaction with corporate customers and an increase in volume of operating assets, primarily those in the corporate loan portfolio. The focus was on the thorough examination of the Bank’s potential borrowers exclusively from among quality public borrowers with a good credit history. As of the year-end 2010, the Bank’s loan portfolio went up by 63.8% to reach RUB 73.0 billion demonstrating an impressive growth as compared to a generally slow upward trend in the banking sector’s loan portfolio”.

V. V. Vavilin,

Member of the Board of Directors – President of CJSC GLOBEXBANK

## Top-Priority Business Lines

CJSC GLOBEXBANK (hereinafter "GLOBEXBANK") was founded in 1992. Since 2008, Vnesheconombank has been GLOBEXBANK's majority shareholder, owning 99.16% of its voting shares.

The acquisition of GLOBEXBANK by Vnesheconombank was necessitated by the need for its urgent stabilization during the financial crisis of 2008-2010. Vnesheconombank took all the necessary and timely action to restore continuous and smooth operation of GLOBEXBANK.

GLOBEXBANK provides a broad range of services to corporate clients and individuals. Its major corporate banking priorities include lending to corporate customers (large and medium businesses), cash and settlement services for corporate customers, raising funds from corporate clients (deposits, notes). In retail banking, the Bank gives priority to deposits from individuals.

GLOBEXBANK operates in 12 constituent entities of the Russian Federation, with the headquarters located in Moscow. As of January 1, 2011, GLOBEXBANK has 6 branches (in Saint Petersburg, Rostov-on-Don, Nizhni Novgorod, Samara, Novosibirsk, Perm) and 4 back offices (in Krasnodar, Tomsk, Barnaul and Kemerovo).

In 2010, GLOBEXBANK engaged in mortgage lending to individuals in cooperation with AHML. Great attention was paid to SME lending in cooperation with RDB. In the result of the Bank's aggressive policy in this area in 2010, the SME loan portfolio grew by more than 400% to reach RUB 9.6 billion.

In 2010, GLOBEXBANK received the USD Straight-Through Processing (STP) Excellence Award from Deutsche Bank and the EUR Straight-Through Processing Award from Commerzbank AG.

In 2010, GLOBEXBANK ranked 23rd in the list of Most Reliable Top 100 Largest Commercial Russian Banks prepared by the Profile Business Magazine. The Bank's reliability was evaluated based on such parameters as capital adequacy, liquidity, share of the funds raised in the interbank lending market, etc.

The details of GLOBEXBANK's major business lines are available at: [www.globexbank.ru](http://www.globexbank.ru).

## GLOBEXBANK in Figures

■ Year of establishment	1992
■ Charter capital as of January 1, 2011	RUB 12.584.431 thousand
■ Stake held by Vnesheconombank in the charter capital as of January 1, 2011	99.16%
■ Loan portfolio as of January 1, 2011	RUB 73.0 billion
■ Geographical presence	12 constituent entities of the Russian Federation
■ Actual headcount as of January 1, 2011	1,320 employees

## Development Strategy

The Bank's Development Concept has been in operation since 2009. In 2010, GLOBEXBANK devised Development Strategy Until 2015, which is to be approved by the Board of Directors of GLOBEXBANK in 2011.

The draft strategy provides for GLOBEXBANK to become in 2015:

■ an advanced financial institution holding leading positions in the Russian banking system;

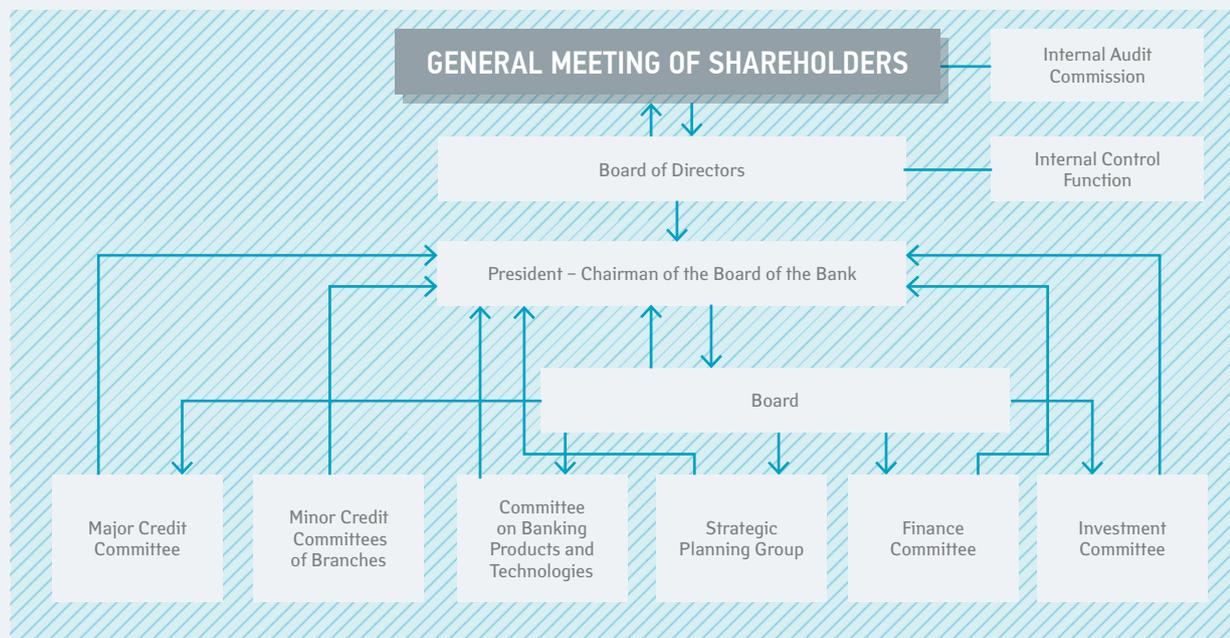
■ a full-service commercial bank providing services to large corporate clients throughout the Russian Federation, SMEs and individuals in its presence regions;

■ a bank included in the list of top 25 Russian largest banks in terms of gross indicators, as well as financial and economic performance indicators;

■ a bank attractive to investors (in terms of return on invested capital) and potential shareholders;

■ a bank with a high corporate governance level meeting the Russian and international standards.

### Management Structure



### POST-REPORTING-PERIOD EVENTS

On March 2, 2011, the Board of Directors of GLOBEXBANK approved the Development Strategy Until 2015.

### Management Structure

Day-to-day operations of GLOBEXBANK are managed by the President and the Board, which solve all operational issues other than those falling within the exclusive competence of the General Meeting of Shareholders and the Board of Directors.

The internal control over compliance with the federal laws and the Bank of Russia’s regulations, the establishment of and compliance with the existing procedures and powers in decision-making related to the interests of GLOBEXBANK, its shareholders and customers, is exercised by the Internal Control Function. The Bank’s financial and economic performance is controlled by the Internal Audit Commission.

The Board of Directors is authorized to control the work performed by GLOBEXBANK’s President and Board, to analyze its own work and to assess the Bank’s corporate governance level.

As of January 1, 2011, GLOBEXBANK has 6 collegial executive bodies in place:

- Major Credit Committee;
- Minor Credit Committee;
- Finance Committee;
- Investment Committee;
- Committee on Banking Products and Technologies;
- Strategic Planning Group.

### Stakeholder Engagement

GLOBEXBANK is a member of the Moscow Interbank Currency Exchange, the National Association of Secu-

### The Board of Directors by Gender and Age

Age	Female	Male	Total
■ Up to 30	0	1	1
■ From 31 to 50	1	3	4
■ From 51	0	4	4
■ Total	1	8	9

### The Board by Gender and Age

Age	Female	Male	Total
■ Up to 30	0	1	1
■ From 31 to 50	2	3	5
■ From 51	0	3	3
■ Total	2	7	9

rities Market Participants (NAUFOR), National Foreign Exchange Association (NFEA), Russian Trading System Stock Exchange, Professional Association of Registrars, Transfer Agents and Depositories (PARTAD), etc.

GLOBEXBANK monitors the level of customer satisfaction by interviewing customers and employees of the Bank's regional outlets.

To identify the customer satisfaction level, the following characteristics of banking products are assessed: consumer attributes, pricing characteristics and standardization level (see the charts below).

### Initiatives Designed to Facilitate Access to Financial Services for Disadvantaged Groups

GLOBEXBANK seeks to make financial services accessible for the disabled. In the reporting year, 43% of the Bank's offices were equipped with wheelchair ramps and walk-ways for the disabled. In 2011 and 2012, it is planned to increase the total number of specially equipped offices to 70%

New offices of GLOBEXBANK are designed and built in accordance with the requirements of the Urban Planning Code of the Russian Federation and the Construction Standards and Regulations (SNiP), to ensure that

the disabled have access to all the services provided by Globexbank.

### Charity

In conformity with the Charity and Sponsorship Regulations, the Board of Directors is entitled to take decisions on the total amount (as percentage of the profit generated in the previous year) the Bank may annually allocate for charity purposes. In 2010, the amount of such allocations could not exceed 1% of the net profit.

In 2010, the charity's emphasis was on support for sports and educational institutions.

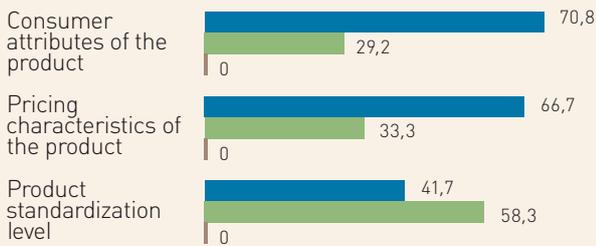
### HR Strategy

In 2010, GLOBEXBANK's actual headcount was 1,320 employees with the employee turnover rate standing at 18%.

The goal of the Bank's HR strategy is to strengthen the image of a responsible employer, increase staff motivation for advanced training and achieving the objectives set, as well as foster the staff loyalty.

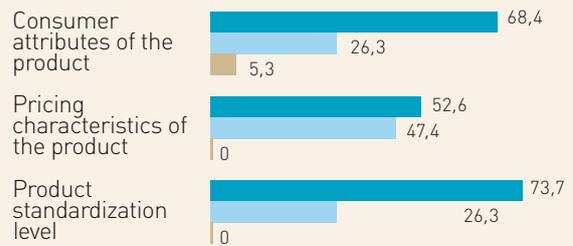
The year 2010 witnessed the following accomplishments in the HR strategy:

### Level of Satisfaction Among Corporate Clients



- Percentage of the products satisfying the customers
- Percentage of the products partially satisfying the customers
- Percentage of the products not satisfying the customers

### Level of Satisfaction Among Individuals



- Percentage of the products satisfying the customers
- Percentage of the products partially satisfying the customers
- Percentage of the products not satisfying the customers

- adoption of staff evaluation procedure;
- introduction of professional testing system;
- introduction and approbation of interactive distance training;
- adoption of customer service standards for the front line employees with subsequent training for employees at the Bank's outlets;
- evaluation of the quality of the bank's customer service at the outlets by conducting The Mystery Customer Campaign;
- streamlining staff recruitment procedure in accordance with the Bank's strategic objectives;
- upgrading HR incentive program.

Advanced personnel training is in compliance with the Regulations on the Unified Training Standards. In 2010, the most rapidly growing forms of training included :

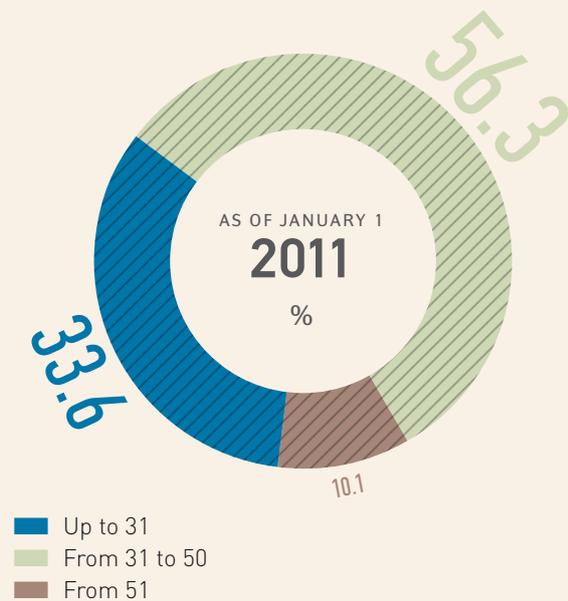
- distance training (on-line courses, tests, video workshops/webinars). In 2010, employees undertook a greater number of training courses available from the GLOBEX-Personnel intranet portal, namely: more than 3.5 thousand courses and 4 thousand tests;

### Areas of Charitable Activities (as % of Allocations)

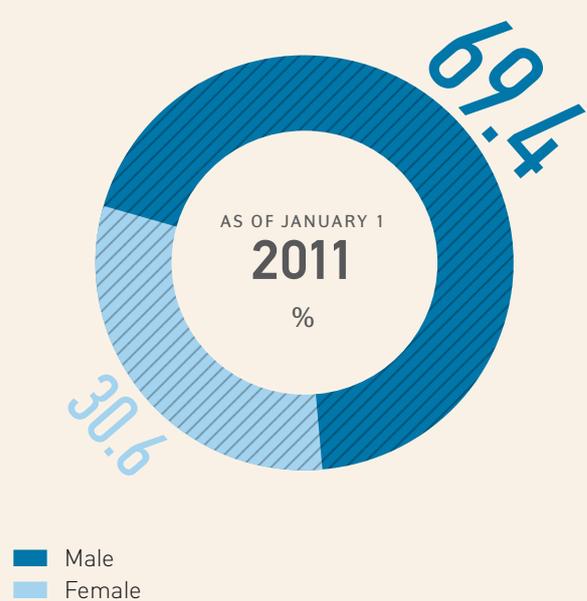


- Aid to the Russian Orthodox Church
- Aid to orphanages and nursing homes
- Support for educational institutions
- Aid to hospices and medical institutions
- Support for sports

### Staff by Age



### Staff by Gender



short-term intra-company training. In 2010, Training Center of GLOBEXBANK provided training for 707 employees, including staff of the branches;

external training. In 2010, courses, workshops and conferences on banking topics were attended by 91 employees, including staff of the Bank's branches.

In 2010, a total of 458 employees of GLOBEXBANK, accounting for 34.7% of its actual headcount, participated in the in-person training events.

In 2010, health and safety training was undertaken by senior vice presidents, unit managers, managers and deputy managers of divisions, the Chief Accountant and Deputy Chief Accountant (a total of 116 employees). The training goal was to provide managers with the legal basics of occupational safety and ability to apply it in practice in order to prevent industrial injuries and professional diseases.

In 2010, AML/CTF training was taken by 1,232 employees, accounting for 93.3% of the actual headcount.

The following activities are carried out to assess the staff performance:

assessment by the immediate supervisor of an employee's quality, timely and professional performance of his/her routine job responsibilities (on a monthly basis);

360-degree feedback, i.e. assessment of an employee's customer orientation within the established business processes (to assess both the individual performance of employees and average customer orientation of the Bank's units).

In accordance with the Remuneration Regulations, the employees are entitled to:

a basic salary and monthly performance bonus;

a quarterly performance bonus and/or annual bonus if the Bank's targets are achieved;

a bonus for special achievements;

a 360-degree feedback bonus.

The bonus scheme for all employees depends on the Bank's volumetric indicators (amount of operating assets, customer deposits). The amount of payments depends on the profit before tax.

### Average Training Hours per Employee in 2010 by Staff Category

Staff Category	Headcount	Total Hours	Average Hours per Employee
■ Top managers	15	44	2.9
■ Specialists	1244	5198	4.2
■ TOTAL	1320	5242	4.0

All remuneration payments and benefits are paid to all employees irrespective of the employment type (full- or part-time).

In 2009, the Bank adopted the Code of Corporate Ethics. The Code establishes the standards of conduct of employees, specifically in their interaction with the external environment, as well as protects the interests of shareholders, customers, business partners and employees of the Bank.

In accordance with the Code of Corporate Ethics, underlying the Bank's operation are the following corporate principles:

■ the principle of customer orientation. The Bank's operational quality is assessed based on how reliable, comfortable and confident the customers feel. The Bank is accessible to all customers irrespective of their status, income and social group. GLOBEXBANK diversifies its business and develops technologies in line with the highest standards of the global banking. The Bank aims to build long-term relationships with customers and, to that end, develops the loyalty support system;

■ the principle of team building. GLOBEXBANK's staff works as a team drawing on the wider diversity of knowledge and skills to ensure high quality customer services;

■ the principle of information openness and transparency. The Bank invariably provides the shareholders, customers and investors with complete, necessary and timely information, seeking to ensure the highest possible information transparency subject to the strict confidentiality requirements in accordance with the Russian laws;

■ the principle of social responsibility. By promoting the community welfare and developing business in-

frastructure, GLOBEXBANK contributes to solving social problems.

### Measures for Mitigating Environmental Impacts

The Bank seeks to minimize negative environmental impacts of its business. The major activity in this area is hazardous waste disposal. Batteries, fluorescent lamps and tyres are utilized by specialized entities under appropriate agreements. Non-hazardous waste (municipal solid waste, construction waste, IT products) is also delivered to specialized entities for disposal. Paper is shredded and delivered to contractor for subsequent recycling.

In 2010, to reduce electricity, heat and water consumption, GLOBEXBANK had:

■ incandescent lamps replaced with the energy saving ones (as of January 1, 2011, 60% lamps were replaced);

■ heating radiators equipped with temperature controllers;

■ obsolete plumbing equipment replaced.

Fuel consumption growth and the resulting increase in CO<sub>2</sub> emissions by 106.8 tonnes per annum are caused by a quantitative increase in both motor vehicles and business trips using corporate motor vehicles.

In 2010, the environmental expenditures of GLOBEXBANK amounted to RUB 2.2 million



### Electricity, Heat and Cold Water Consumption

Indicator	2009	2010	Change
■ Electricity, GJ	40 957.6	36 983.6	-3974.0
■ Heat, GJ	23 233.8	20 908.0	-2325.8
■ Water, cubic meters	22 276.0	20 069.0	-2207.0

### Paper Consumption

Indicator	2009	2010	Change
■ Paper (MT)	646.5	605.1	-41.4

### Emissions of CO<sub>2</sub>

Indicator	2009	2010	Change
■ Total distance traveled, thousand km	859.1	1 138.5	+279.4
■ Total fuel consumed, thousand liters	163.1	210.0	+46.9
■ Emissions of CO <sub>2</sub> , tonnes per annum	370.4	477.2	+106.8

## About the Report

Vnesheconombank's Sustainability Report 2010 (hereinafter the "Report") is the Bank's second non-financial report containing information as of January 1, 2011. The Report was prepared in accordance with GRI's Sustainability Reporting Guidelines (Version 3.0) and Financial Services Sector Supplement and covers the major issues relating to the economic, environmental and social impacts of Vnesheconombank's activities.

### Defining Materiality

In preparing this Report, due consideration was given to the expectations and needs of Vnesheconombank's key stakeholders (for the full list of stakeholders, see Vnesheconombank's Sustainability Report 2009 (hereinafter the "Report 2009") on page 25).

To identify the Bank's key stakeholders, the following activities were performed:

- completion of questionnaires by Vnesheconombank's employees, interviews with mid- and top-executives;
- focus groups involving the employees of structural units preparing materials for the Report;
- workshop for the employees of Vnesheconombank and its subsidiaries on reporting in accordance with GRI Guidelines.

The Report covers four major issues of importance for VEB's stakeholders: corporate governance, investment in sustainability, responsible approach to labor practices, activities of Vnesheconombank's subsidiary banks

The issues important in terms of sustainability meeting the information needs of stakeholders were identified through the analysis of:

management and statistical reporting forms, internal regulatory documents of Vnesheconombank concerning economic, environmental and social performance;

outcomes of interviews with directors of the Bank's independent structural divisions and questionnaires filled in by the members of the CSR and non-financial reporting working group;

issues raised by VEB's key stakeholders engaged in cooperation on the Bank's major business lines;

publications in Russian and foreign media covering the activities of Vnesheconombank and its subsidiaries;

national strategic documents, including the Concept of Long-Term Socio-Economic Development of the Russian Federation until 2020 and the Banking Sector Development Strategy until 2015;

research conducted by line ministries (the RF Ministry of Economic Development, Ministry of Finance, Ministry of Regional Development and Ministry of Economic Development), expert communities and industrial organizations (OPORA RUSSIA, the Russian Union of Industrialists and Entrepreneurs, etc.);

non-financial reporting of foreign development banks.

The analysis allowed preparing a full list of issues and indicators to be included in the Report.

The actions taken resulted in identifying four key groups of Vnesheconombank's stakeholders, analyzing the Bank's activities in sustainability, including its conformity with the stakeholders' expectations.

## Ensuring Quality Reporting

The Report was prepared in consultation with Schwery Consulting (Switzerland) - GRI's certified partner in Central and Eastern Europe, with due regard for recommendations by Ernst & Young (CIS) B.V. in the Independent Assurance Report on the Report 2009. The principal expert recommendations for improving the quality of Vnesheconombank's non-financial reporting included:

actions aiming to create a clear system of stakeholder engagement in preparing sustainability reports to meet specific information needs of various groups of stakeholders;

publication of information on the progress in achievement of the goals set in the Report 2009 and establishment of clearer and measurable prospective goals;

continued practice of the internal confirmation of information reliability and its application to Vnesheconombank's subsidiaries.

The Bank's priority for the near future is to create the system of stakeholder engagement, specifically with a view to adjusting the Report and Vnesheconombank's sustainability activities

The information provided in the Report is as homogenous with the Report 2009 as possible to give stakeholders an opportunity to track changes in Vnesheconombank's performance. Furthermore, preparation of reports in accordance with GRI Guidelines enables to compare Vnesheconombank's performance in sustainability with other financial institutions.

In its subsequent reports, Vnesheconombank will seek to allow the stakeholders to analyze its key performance outcomes as compared with those at least for a 3-year term starting from the reporting year 2009

The accuracy of the information provided in the Report is ensured through specifying the data measurement and calculation methods, as well as references to sources confirming the reporting data. The data measurement and calculation methods used are summarized in the Table "The Report Compliance with GRI Guidelines" on page 117.

Vnesheconombank publishes its sustainability reports on an annual basis. Reports are prepared in accordance with the internal procedures and the existing reporting schedule. The reasons behind relatively late report publication timeline are the ongoing evolution of the system of gathering and consolidation of data on the non-financial aspects of Vnesheconombank's activities, expansion of report boundaries and inclusion of information on Vnesheconombank's subsidiaries.

The Report 2009 was approved by the Bank's Board on October 13, 2010, and by the Supervisory Board – on December 7, 2010.

## Report Scope

The Report covers most issues concerning Vnesheconombank's contribution to sustainability, including information on the Bank's investment activities. The Report excludes information concerning the activities of Vnesheconombank as the agent for the Government of the Russian Federation, with the exception of Vnesheconombank's performance as the trust manager of pension savings. This information and Vnesheconombank's financial performance are given in Vnesheconombank's Annual Report 2010. Additional data on VEB's activities are available on its website at: [www.veb.ru](http://www.veb.ru).

Financial performance of the subsidiary banks is provided in their annual and other reports published in accordance with the applicable laws.

References to other data sources are provided in the text and/or the Table "The Report Compliance with GRI Guidelines" on pages 117–125.

All details and examples contained in this Report reflect the activities performed by Vnesheconombank during the calendar year 2010. However, it also includes brief information on the most significant post-reporting-period events

The Report excludes information on the following indicators: EN3, EN6, EN8-EN15, EN19, EN23-EN25, EN27, as unapplicable to Vnesheconombank and its subsidiaries due to their specifics. PR1-PR3 are not applicable either since the lending and financial services of Vnesheconombank and its subsidiaries do not affect the customers' health and safety. PR4 is non-applicable as Vnesheconombank and its subsidiaries do not manufacture/provide any markable products/services.

The comments on and supplements to other indicators are given in the Table "The Report Compliance with GRI Guidelines".

## Reporting Principles

In preparing this Report, the Bank was guided by the following principles:

Materiality and completeness of the information provided. The Report covers all Vnesheconombank's significant economic, environmental and social impacts;

Sustainability context. Information on Vnesheconombank's performance is included in a wider environmental and social context;

Responding to the needs of the stakeholders. The Report reflects the issues that are of major significance to the stakeholders;

Balance. The Report reflects both positive and negative aspects of the Bank's performance over the reporting period;

Credibility. Information used in the preparation of the Report was gathered, recorded, compiled, analyzed and disclosed in such a way that it can be verified and proved;

Clarity. Information is made available in a manner that is understandable and accessible to a wide number of readers.

## Report Boundaries

The Report boundaries comprise the performance of Vnesheconombank and its representative offices. The Report also includes data about 4 subsidiary Russian banks: OJSC RUSSIAN DEVELOPMENT BANK (RDB), CJSC ROSEXIMBANK, OJSC SVYAZ-BANK and CJSC GLOBEXBANK. The ground for including the information on VEB's Russian subsidiaries is significant impact of their operations on Vnesheconombank's performance and sustainable development of the Russian Federation.

The details of each of the subsidiaries are split into separate sections, which include the description of management approaches and an overview of the subsidiary banks' contribution to the economy, environmental protection

and public welfare. The subsidiary banks are also subject to the internal and external data assurance procedures.

 In the future, it is planned to apply non-financial reporting to all subsidiaries of Vnesheconombank's Group

## GRI Application Level

Vnesheconombank self-declares a B+ GRI Application Level.

In addition to self-declaration, to raise the quality of reporting, the Bank organized and performed the following activities:

 Internal audit of the Report. Vnesheconombank's Internal Control System performed analysis to verify and prove qualitative and quantitative data presented in the Report;

 external assurance involving Ernst & Young (CIS) B.V., an international auditor. See the Independent Assurance Report on page 126;

 independent expertise and assurance involving members of Vnesheconombank's Expert Council. The Expert Council gave recommendations considered in this Report or to be used in subsequent reporting documents.

In the future, it is planned to arrange public hearings to engage stakeholders in the report preparation.

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## Table: The Report Compliance with GRI Guidelines

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/References to Other Sources
1.1 Statement from the most senior decision-maker of the reporting organization about the relevance of sustainability for the organization	P. 2–3
1.2 Description of key impacts, risks and opportunities	P.12–13, 24–25 See <i>Vnesheconombank's Development Strategy</i> at: <a href="http://www.veb.ru/strategy/strat/">www.veb.ru/strategy/strat/</a> . See <i>Quarterly Report of Vnesheconombank for Q4 2010</i> at: <a href="http://veb.ru/common/upload/files/veb/ejo/20100214_rep.pdf">http://veb.ru/common/upload/files/veb/ejo/20100214_rep.pdf</a>
2.1 Name of the organization	P. 4
2.2 Primary brands, types of products and/or services	P. 14–15 See <i>Vnesheconombank's Annual Report 2010</i> at: <a href="http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2010_r.pdf">http://www.veb.ru/common/upload/files/veb/reports/annual/VEB_Annual_2010_r.pdf</a>
2.3 Operational structure of the organization	P. 5–6
2.4 Location of the organization's headquarters	P. 74, 116
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	P. 6, 14–15

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/ References to Other Sources
2.6	Nature of ownership and legal form P. 4
2.7	Markets served <i>See the Annual Reports of Vnesheconombank, RDB, ROSEXIMBANK, SVYAZ-BANK and GLOBEXBANK for 2010</i>
2.8	Scale of the reporting organization P. 5, 14–15, 24–53, 59–60, 82–83, 90–91, 98, 106–107
2.9	Significant changes during the reporting period regarding size, structure, or ownership P. 5–7 <i>2010 did not see any significant changes regarding the size, structure or ownership of subsidiary banks</i>
2.10	Awards received in the reporting period P. 16–17, 41, 82, 98, 106 <i>Long-term ratings assigned to Vnesheconombank by leading rating agencies (Fitch Ratings, Standard&amp;Poor's, Moody's) are at par with the national credit ratings of the Russian Federation. See also Vnesheconombank's Annual Report 2010</i>
3.1	Reporting period (e.g., fiscal/calendar year) for information provided P. 113
3.2	Date of most recent previous report (if any) P. 115
3.3	Reporting cycle P. 114
3.4	Contact point for questions regarding the report or its contents P. 116
3.5	Process for defining the report content P. 113–114
3.6	Boundary of the report P. 115–116
3.7	Any specific limitations on the scope or boundary of the report P. 115–116
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 P. 115–116
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 P. 115

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/References to Other Sources
3.10 Explanations of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	P. 114
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	P. 114–115
3.12 Table identifying the location of the Standard Disclosures in the report	P. 117–125
3.13 Policy and current practice with regard to seeking external assurance for the report	P. 116
4.1 Governance structure of the organization, including the principal committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	P. 6–8, 83–84, 91–92, 99, 107
4.2 Indicate whether the Chair of the highest governance body is also an executive officer of the company	P. 6–7, 83, 91, 99, 107
4.3 For organizations that have a unitary board, state the number of members of the highest governance body that are independent and/or non-executive members	<i>Not applicable, since Vnesheconombank's corporate structure does not provide for a unitary board structure</i>
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	P. 4–5, 57
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	P. 66–67
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	P. 4, 6–9
4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	P. 6–7 <i>High level of qualifications and expertise of the members of Vnesheconombank's Supervisory Board, including economic, environmental and social topics, is confirmed by many years of their effective civil service as Deputy Chairmen of the Government of the Russian Federation and federal ministers</i>
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their practical implementation	P. 21

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/References to Other Sources
<p>4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles</p>	<p><i>Vnesheconombank submits reports to the Government of the Russian Federation and the Supervisory Board in accordance with Article 7 of the Federal Law "On Bank for Development" and Article 11 of the Memorandum on Financial Policies.</i> <i>Subsidiary banks submit their reports to Vnesheconombank in accordance with the Regulations on Obtaining and Submitting Information About Subsidiary Banks</i></p>
<p>4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance</p>	<p>P. 80, 83, 99 <i>The list of details submitted by Vnesheconombank to the Government of the Russian Federation and the Supervisory Board is specified in the Federal Law "On Bank for Development," the Memorandum on Financial Policies and other regulations</i></p>
<p>4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization</p>	<p><i>The Bank does not directly address the precautionary principle to its activities. Approach to the risk management is described in the Annual Report and the issuer's statements available at: <a href="http://www.veb.ru">www.veb.ru</a></i></p>
<p>4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses</p>	<p>P. 18–22</p>
<p>4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations</p>	<p>P. 19–20, 83–84, 91–92, 99, 107–108</p>
<p>4.14 List of stakeholder groups engaged by the organization</p>	<p>P. 14–17, 83–84, 91–92, 99, 107–108, 113</p>
<p>4.15 Basis for identification and selection of stakeholders with whom to engage</p>	<p>P. 113–114</p>
<p>4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group</p>	<p>P. 15–19, 113–114</p>
<p>4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting</p>	<p>P. 16–20, 114 <i>Informational needs of the stakeholders are identified in the course of the Bank's day-to-day activities. The Bank intends to consolidate information about key topics and concerns, raised or identified in the course of stakeholder engagement, in its subsequent sustainability reports</i></p>
<p><b>GRI FINANCIAL SERVICES SECTOR SUPPLEMENT</b></p>	
<p>Management Approach</p>	<p>P. 24–26, 28–40</p>

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/References to Other Sources
FS1	Policies with specific environmental and social components applied to business lines P. 25–26, 35
FS2	Procedures for assessing and screening environmental and social risks in business lines P. 25–26, 92–93
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions P. 35
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector P. 37, 40 <i>See Vnesheconombank's Annual Report 2010</i>
FS8	Monetary value of special products and services designed to deliver a specific environmental benefit for each business line broken down by purpose P. 40
FS14	Initiatives to improve access to financial services for disadvantaged people P. 102, 108 <i>Not applicable to Vnesheconombank, RDB, ROSEXIMBANK since they do not provide services to individuals</i>
FS16	Initiatives to enhance financial literacy by type of beneficiary P. 18–19, 36, 50, 85, 91–92 <i>The daily operations of SVYAZ-BANK and GLOBEXBANK do not provide for taking measures aimed at enhancing financial literacy</i>

## ECONOMIC PERFORMANCE INDICATORS

	Management Approach	P. 12–13, 42–47, 51–53, 64–67
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	P. 66
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	P. 59–60
EC8	Development and impact of infrastructure investments and services provided primarily of public benefit through commercial, in-kind, or pro bono engagement	P. 54–55, 86, 93–94, 102, 108–109
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	P. 14–15, 26, 36, 40–41, 42–53

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/ References to Other Sources
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>	
	Management Approach P. 74-77, 86-88, 94-95, 104, 111-112
EN1	Materials used by weight or volume P. 76, 88, 96, 104, 112
EN2	Percentage of materials used that are recycled input materials <i>Vnesheconombank and its subsidiary banks do not use any recycled input materials</i>
EN4	Indirect energy consumption by primary source P. 75, 88, 96, 104, 112
EN7	Initiatives to reduce indirect energy consumption and reductions achieved P. 75, 86-87, 95, 111
EN17	Other relevant indirect greenhouse gas emissions by weight P. 76, 88, 96, 104, 112
EN21	Total water discharge by quality and destination P. 75 <i>Total water discharge is equal to water consumption volume</i>
EN22	Total weight of waste by type and disposal method P. 76
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation P. 26-35, 92-93
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations <i>In the reporting year, no significant fines and non-monetary sanction were imposed on Vnesheconombank and Russian subsidiary banks for non-compliance with environmental laws and regulations. 2010 did not witness any court proceedings related to non-compliance with environmental laws</i>
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce P. 76, 88, 96, 104, 112
<b>LABOR PRACTICES PERFORMANCE INDICATORS</b>	
	Management Approach P. 56-58, 86-87, 93-95, 102-104, 108-111
LA1	Total workforce by employment type, employment contract, and region P. 59-60, 87, 93, 95, 102-103, 108, 110
LA2	Total number and rate of employee turnover by age group, gender, and region P. 59-61, 86, 93, 102-103, 110

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/References to Other Sources
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations P. 64–67, 86, 94, 103, 110–111
LA4	Percentage of employees covered by collective bargaining agreements P. 58 <i>RDB, ROSEXIMBANK, SVYAZ-BANK, GLOBEXBANK: collective agreement was not executed</i>
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements <i>The current version of the collective bargaining agreement does not provide for the definition of the minimum employees' notice period regarding the employer's significant operational changes. The employees are notified of significant operational changes in Vnesheconombank and its subsidiary banks in accordance with the Labor Code of the Russian Federation</i>
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs P. 73
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region <i>Industrial accidents, including fatalities: N/A. Injury rate and occupational diseases in 2010: N/A. Lost days of Vnesheconombank's employees in 2010: 7,451 (with the exception of lost days through pregnancy and delivery). Absenteeism: 3.4. Absentee ratio (AR) was calculated using the following formula: <math>AR = (7451 / (1781 * 249) - 7451) * 200</math>, where 7451 – lost days, 1781 – actual headcount, 249 – number of business days in 2010. Rates of injury, occupational diseases, fatalities at RDB, ROSEXIMBANK, SVYAZ-BANK, GLOBEXBANK: N/A</i>
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases P. 70–72
LA9	Health and safety topics covered in formal agreements with trade unions <i>The current version of the collective bargaining agreement does not comprise the occupational health and safety issues of the Subsidiary Banks: N/A</i>
LA10	Average hours of training per annum per employee, by employee category P. 63, 87, 96, 104, 111
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings P. 62–63, 93–94, 103, 109–110
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity P. 7, 60, 84, 87, 93, 95, 102, 103, 108, 110

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/ References to Other Sources
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LA14

Ratio of basic salary of men to women by employee category

*The Labor Code of the Russian Federation prohibits labor discrimination, including pay discrimination. As a result, the basic salary of the Bank's employee does not depend on gender. The ratio of male and female base salaries in all categories of employees is 1*

## HUMAN RIGHTS PERFORMANCE INDICATORS

	Management Approach	P. 56–58
HR4	Total number of incidents of discrimination and actions taken	<i>No incidents of gender, race, or nationality discrimination revealed in the practices of Vnesheconombank and its subsidiary Russian banks. SVYAZ-BANK: A claim was filed against the bank for the illegal dismissal of an employee. The court ruled that the plaintiff be re-employed</i>
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	<i>The Bank is not involved in any activities, in which the right to exercise freedom of associations bargaining and collective bargaining may be at risk</i>
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	<i>Vnesheconombank and its subsidiary banks do not engage in any activities which may have significant risk for incidents of child labor</i>
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	<i>Vnesheconombank and its subsidiary banks do not engage in any activities which may have significant risk for incidents of forced or compulsory labor</i>
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	<i>Vnesheconombank and its subsidiary banks do not engage in any activities which may have significant risk for incidents of violations involving rights of indigenous people</i>

## SOCIETY PERFORMANCE INDICATORS

	Management Approach	P. 24–25, 42–44, 54–55, 85, 102, 108–109
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	P. 23, 86, 94, 103, 110
S04	Actions taken in response to incidents of corruption	<i>During 2010, there was no court litigation falling under the definitions of the Federal Law "On Combating Corruption" and related to opposing competition</i>
S05	Public policy positions and participation in public policy development and lobbying	P. 22

Disclosure/GRI Performance Indicator	Page/Comments and Additional Information/References to Other Sources
<b>S06</b> Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	<i>Given that the charter capital of Vnesheconombank includes federal property (shares, real estate, the real property contribution of RUB 75.0 billion made by the government), Vnesheconombank is an entity which is not entitled to support political parties in accordance with the Federal Law "On Political Parties"</i>
<b>S07</b> Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	<i>During 2010, there was no court litigation falling under the definitions of the Federal Law "On Combating Corruption" and related to opposing competition</i>
<b>S08</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	<i>In the reporting year, Vnesheconombank, RDB, ROSEXIMBANK and SVYAZ-BANK were not liable to any significant fines or non-monetary sanctions for non-compliance with laws and regulations. GLOBEXBANK: the fines and non-monetary sanctions for non-compliance with laws and regulations totaled RUB 126 070</i>

## PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

	Management Approach	P. 25–26, 35, 40–41, 48–50, 85
<b>PR5</b>	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	P. 36, 83–84, 108
<b>PR8</b>	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	P. 23 <i>RDB, ROSEXIMBANK, SVYAZ-BANK and GLOBEXBANK: during 2010, there were no recorded complaints regarding breaches of the Bank's customer privacy and losses of customer data</i>
<b>PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<i>In the reporting year, Vnesheconombank and its Russian subsidiary banks were not liable to any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</i>

# Independent Assurance Report

on the Sustainability Report 2010  
of State Corporation "Bank for Development  
and Foreign Economic Affairs (Vnesheconombank)"

To the Supervisory board of State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank)'

## Engagement

At the request of State Corporation 'Bank for Development and Foreign Economic Affairs (Vnesheconombank)' (hereinafter 'the Bank') we have performed an assurance engagement. The subject matter of our engagement is the qualitative and quantitative information for 2010 disclosed in the Bank's Sustainability Report 2010 (hereinafter 'the Report') except for the following matters:

- Data provided by third parties,
- Qualitative and quantitative information relating to the prior years, and
- Any forward-looking statements on events or planned activities of the Bank.

Our engagement is aimed to obtain a limited level of assurance that the information in the Report is, in all material aspects, a reliable and sufficient representation of sustainability policies, activities, events and performance of the Bank during 2010.

As defined in the *International Framework for Assurance Engagements* issued by International Federation of Accountants (hereinafter 'IFAC'), evidence-gathering procedures in order to obtain limited assurance are substantially less in scope than procedures to obtain reasonable assurance and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

## Criteria

We have assessed the Report against the GRI Sustainability Reporting Framework (hereinafter 'the GRI Framework'), including version 3.0 of the Sustainability Reporting Guidelines (hereinafter 'the GRI G3.0 Guidelines') and reporting principles stated in Regulation on Social (Non-Financial) Reporting of the Bank as set out in section 'About the report' on page 115 of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

## Responsibility of the Bank's Management

The management of the Bank is responsible for the preparation of the Report and the information therein. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free of material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by the management, the scope of the Report and the reporting principles, including any inherent limitations that could affect the reliability of information, are set out in section 'About the report' on pages 113–116 of the Report.

## Our Responsibility

Our responsibility in performing this assurance engagement is to express a conclusion with regard to the information in the Report.

We have performed our engagement in accordance with International Standard on Assurance Engagements 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by IFAC.

We have performed the procedures deemed necessary to provide a basis for our conclusion. Our principal procedures were:

- Interviews with the Bank's employees and divisions' heads responsible for its sustainability policies, activities, performance and relevant reporting,

- Analysis of internal regulatory documents related to the Bank's sustainability policies, activities, performance and relevant reporting,

- Benchmarking of the Report against sustainability reports of selected national and international development banks,

- Review of a selection of corporate and external publications with respect to the Bank's sustainability policies, activities, events, and performance in 2010,

- Identification of material issues based on the procedures described above and analysis of their reflection in the Report,

- Review of data samples for key indicators related to human resources, environment, health and safety, charity, and project finance as well as data collection processes to assess whether these data have been collected, collated and reported appropriately,

- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report,

- Assessment of the Report's compliance with the sustainability reporting principles used by the Bank, and

- Assessment of disclosure of elements required by B+ application level of the GRI G3.0 Guidelines of the GRI Framework.

## Conclusion

Based on our work performed nothing has come to our attention that causes us to believe that the information in the Report, in all material aspects, does not provide reliable and sufficient representation of sustainability policies, activities, events and performance of the Bank during 2010 in accordance with the GRI Framework and reporting principles stated in Regulation on Social (Non-Financial) Reporting of the Bank.

Nothing has come to our attention that causes us to believe that the Report does not meet the requirements of B+ Application Level of the GRI G3.0 Guidelines.

## Observations

This is the second year that Ernst & Young (CIS) B.V. has been engaged by the Bank to provide limited assurance on its sustainability report. Our observations and identified areas for improvement will be raised in a separate report to the management of the Bank. Selected observations are provided below. These observations do not affect our conclusion set out above.

*Stakeholder engagement process:* we have noted that the Bank aims to improve its stakeholder engagement practices. Within the Report preparation the Bank has developed a methodology for stakeholder identification and ranking. The Bank has also analyzed issues raised in the course of interaction with stakeholders. Nevertheless, the Bank's stakeholder dialogue techniques are underdeveloped. We suggest that the Bank develop a stakeholder engagement policy. We suggest that outputs of the engagement be used for improvement of the reports' contents and better satisfaction of key stakeholders' information needs.

*Corporate social responsibility goals:* we have noted that the goals published in the Report are more specific and measurable compared to the previous year. We suggest that the Bank publish goals on a wider range of corporate social responsibility issues and report its progress against these goals.

*Sustainability reporting boundaries:* we have noted that the Bank has undertaken efforts to ensure that the Report includes sustainability performance data for 2010 on Russian subsidiary banks, namely OJSC 'Russian Bank for Development', CJSC ROSEXIMBANK, OJSC 'Sviaz-Bank', CJSC 'GLOBEXBANK'. We suggest that the Bank continue expansion of reporting boundaries by including data on other credit institutions and specialized companies in the next report, as well as publish key consolidated indicators at Vnesheconombank's group level.

Ernst & Young (CIS) B.V.,

Moscow  
30 September 2011