

FINANCING ENVIRONMENTAL PROJECTS

Care for the environment is one of the most important aspects of the Group's social and economic activities. VTB understands the importance of financial institutions'

participation in shaping a low-carbon economy and is developing green-financing tools to support the government on this path.



VTB'S APPROACH TO GREEN FINANCING

In 2019, VTB began elaborating new principles and approaches to green financing, as well as to accounting and monitoring of environmental factors that influence the Bank's investment and other financial operations.

The VTB Group strives to prevent negative environmental impact by keeping clients aware of and imposing environmental requirements on them prior to implementing projects financed by the Bank or, where possible, at the early stages of project implementation.

As part of green financing, the Bank also strives to provide loans to implement projects improving environmental indicators, reducing natural resource consumption, and promoting the use of renewable energy sources.

In 2019, VTB Capital was a co-organiser in the placement of green Eurobonds of *Russian Railways*, the first ever placement of such bonds by an issuer from the CIS. Issuers of green Eurobonds spend the money earned from them

on environmental projects, for instance, for transition to renewable energy sources or reducing hazardous emissions. The total amount of green Eurobonds reached EUR 500 million at a coupon rate of 2.2% with a maturity term of eight years.





“VTB Bank supports its customers in their commitment to implementing projects that reduce environmental impact. Such projects not only help protect the planet’s resources through competent management of environmental risks, but also enable the achievement of economic targets. Our joint efforts are creating products that meet the requirements of present day businesses and the public at large”.



Dmitry Snesar

Head of Client Coverage, Senior Vice President, VTB Bank

One of VTB’s top priorities is financing renewable energy source (RES) projects. This type of activity is consistent with the measures taken by the Russian government aimed at promoting the development of RES-based generation facilities.

As one of the most promising alternative energy lines, solar and wind power plants generate energy based on a limitless permanent source, including in distant and poorly accessible regions.

Providing guaranteed stability, ecological safety, renewability and cost-effectiveness, solar and wind power generation is the future of green energy.

As part of this activity, VTB provided long-term project funding in an amount of EUR 187.4 million to construct and commission seven solar power plants with a total capacity of 105 MW in Astrakhan region, Buryat Republic, and Zabaykalsky territory.



The project was implemented with the support of an Austrian export and credit agency, *Oesterreichische Kontrollbank AG*. The project was initiated by an association of Austrian and Russian companies: *Core Value Capital GmbH*, *Green Source GmbH*, and *Vershina Development*. Solar power plants will be generating over 140 million kW·h of green energy annually, reducing CO₂ emissions into the atmosphere by at least 24,000 tonnes a year.

Furthermore, as part of RES development support, VTB Bank facilitated the implementation of one of Russia's most important wind power plant construction projects in Rostov region in 2019. The project is being implemented by the Wind Power Development Fund¹ and plays a key role in creating a new renewable energetics industrial cluster in Russia. The total capacity of the Wind Power Development Fund's Second Wind Farm will reach 200 MW, and the farm will comprise 26 Vestas wind power plants, each having a capacity of 3.8 MW.

VTB Bank opened a 13-year line of credit for Second Wind Farm's construction project. VTB Bank also established letters of credit for a total amount of over EUR 36 million to organise equipment delivery from Germany and Great Britain. These letters of credit were confirmed by first-class international banks.

In addition, as part of a three-year energy service agreement for an amount of RUB 3.9 billion, VTB Factoring provided funding for delivery by *MRSK* of the state-of-the-art energy flow accounting systems that will help reduce the loss of energy and make power consumption more efficient.

VTB Bank also approved a 10-year credit limit of RUB 2.55 billion for *Atomstroykompleks*. The purpose of the loan is to construct a cement mill in Sverdlovsk region, with a planned capacity of about 460,000 tonnes a year. The mill will be part of a waste-free cluster that produces construction materials.

CO₂ emissions
expected
to drop by
24K
tonnes a year
following
the construction
of seven solar
power plants
funded by VTB

¹ The Wind Power Development Fund was created on a parity basis by Rusnano and Fortum for the purposes of investing in wind farm construction. The fund chose Vestas (Denmark), a global leader in wind turbine manufacturing, installation, and maintenance, to be a partner for this project because the company opened an equipment manufacturing facility in Russia. In 2019, 65% of the necessary components were manufactured in Russia.



FINANCING ENVIRONMENTAL PROJECTS BY GROUP BANKS

Banks of the Group also provide funding for projects that enable reduction of greenhouse gas emissions and discharge of polluting agents into water. Since 2018, VTB Bank (Kazakhstan) has been providing funding for projects saving energy and reducing GHG emissions as part of the UN development programme called Sustainable Cities for Low-Carbon Development in Kazakhstan. As part of that programme, VTB Bank (Kazakhstan) provided funding for a project to reconstruct the boiler facility in Karaganda, which allowed GHG emissions to be reduced by over 3,000 tonnes per heating season.

In 2019, *Sarovbusinessbank*, in turn, provided funding to renovate waste treatment facilities in the city of Vyksa (Nizhny Novgorod region) as part of two programmes: Volga Sanitation and High-Quality Utility Services for Residents of Nizhny Novgorod region.

ARCTIC COUNCIL

Since 2014, VTB Bank has acted as the Russian Executive Agency for the Arctic Council Project Support Instrument, a fund that finances projects to reduce pollution and improve environmental footprint control practices in the Arctic.

In 2019, the Russian Executive Agency participated in developing and implementing 16 projects of the Arctic Council to prevent climate change, manage hazardous waste, and preserve biodiversity. The most important outcome of these projects is the reduced emission of GHGs, charcoal black, and other pollutants in the Republic of Karelia, Murmansk region, Arkhangelsk region, and Russia's Arctic, all thanks to the transition to renewable power sources and optimised waste disposal.

The Russian Executive Agency is continuously working with VTB Bank's clients and other companies, searching for potential projects consistent with the goals of the Arctic Council and attracting additional funds. In particular, negotiations are underway regarding joint projects in the following areas:

- modernising cement production and increasing its environmental efficiency;
- eliminating accumulated environmental damage in the areas of the Far North;
- creating an enterprise for recovering waste and making products from recycled materials in Russia's Arctic;

- organising manufacturing using innovative waste recovery technologies;
- transition of coal and oil-fuelled boiler systems to bio-fuel.

The major goals of the RIA for the upcoming period are to continue actively working on approved projects in close cooperation with Russia's *Ministry of Natural Resources and Environmental Protection* and to continue searching for new project ideas.

16
environmental
projects
of the Arctic
Council developed
and implemented
with VTB Bank



NATIONAL ECOLOGY PROJECT

In 2019, VTB Bank was invited to take part in a national project called Ecology¹ and was included in the Business and Biodiversity working group of Russia's *Ministry of Natural Resources and Environmental Protection*. The major goal of the working group was to achieve synergy in implementing corporate programmes to preserve biodiversity and protect the environment, run by Russian government agencies across designated natural areas of federal importance. Following the working group's meeting in 2019, the Bank decided to enter into a cooperation agreement with Russia's *Ministry of Natural Resources and Environmental Protection* (currently in development).

¹ To comply with section 7 of Presidential Decree No. 204 dated 7 May 2018 ("Concerning national goals and strategic development objectives of the Russian Federation for 2024").