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Green Bond Framework

CENTER-INVEST BANK

Introduction

Center-invest Bank is the largest private regional bank in southern Russia and a positive example of business social responsibility based on the ESG banking business model. The Corporate Social Responsibility (CSR) of the Bank is aimed at positive changes in society, meets the strategic interests of the Bank and is implemented in the interests of present and future generations.

Shareholders structure of Center-invest Bank includes reputable and experienced international financial institutions: European Bank for Reconstruction and Development -19.74%, (United Kingdom), German investment and development Corporation DEG - 16.14%, (subsidiary of KfW) the largest Austrian Bank Erste Group Bank AG -9,01% and the Swiss found ResponsAbility Investments AG -10.02%, specializing in ESG investments.

Center-invest Bank is not a signatory, but shares the provisions of international agreements and documents on sustainable development and social responsibility:

- UN Global Compact (UNGC)
- Sustainable Development Goals (SDGs)
- Equator Principles (EP)
- Principles of Responsible Investments (PRI)
- Principles of Environmental, Social and Corporate Governance (ESG)
- Triple bottom line (TBL) (people, planet, profit)

The Bank includes these provisions in the current procedures of its operating activities and corporate governance, and also voluntarily reflects the results of its activities in the areas of sustainable development based on international recommendations (GRI, IR).

The directions of the current [Strategy of Center-invest Bank](#) correspond to the UN Sustainable Development Goals until 2030, the national development goals of the Russian Federation until 2024 and the goals of the Bank of Russia development programs.

Shareholders, management and employees of Center-invest Bank have voluntarily accepted obligations and carry out their activities based on the principles of ESG (Environmental, Social and Governance), combining approaches related to sustainable, green, ethical and socially responsible banking.

Together with the Bank's shareholders - EBRD and DEG, as well as with the participation of IFC, since 2004 the Bank has implemented corporate rules and procedures that take into account international best practices and include codes of corporate conduct and ethics, policies for certain areas of activity, namely:

- Code of Corporate Conduct (2004)
- Code of Corporate Ethics (2004)
- Information Policy (2007)
- Risk Management Policy (2018)
- Credit policy (2018)
- Internal Control Policy (2014)
- Environmental and social policy (2010 as amended in 2011, 2012, 2014)

The Environmental and Social Policy approved by the Board of Directors of the Bank in 2010 was developed jointly with the EBRD and the IFC and is based on their best practices in the field of "sustainable financing" and practice in implementing energy-efficient projects:

<https://www.centriinvest.ru/files/about/pdf/ESPolicy.pdf>

This Policy is based on universally recognized principles of promoting "environmentally healthy and sustainable development" in all its activities in the field of banking operations, investment and technical cooperation as one of the fundamental aspects of the Bank's rational business.

A member of the Executive Board of the Bank shall be appointed to be responsible for compliance with the principles and approaches outlined in the Bank's Environmental and Social Policy. A member of the Executive Board is responsible for transmitting the provisions of the policy to all employees and is responsible for its implementation. The policy provisions also guided by all credit committees of the Bank. On an annual basis, an environmental report is prepared and made publicly available, which reflects the main results of work over the past year. The Bank's environmental reports are available on the Bank's official website at:

<https://www.centriinvest.ru/en/sustainability/environmentreports>

Environmental responsibility is one of the Bank's priority areas along with providing traditional banking products and services. The Bank aims to take care of the environment, including through the economical consumption of resources (electricity, paper, fuel, etc.). Center-invest Bank has been implementing a program to increase energy efficiency since 2005, providing targeted loans to enterprises and population for the introduction of modern technologies and measures to reduce energy consumption. As of July 1, 2019, the Bank invested over 16.5 billion rubles in 20 thousand projects, thereby annually contributing to the conservation of the ecology of southern Russia.

In 2018, in St. Petersburg, within the framework of the XVI Russian Bond Congress, the National Association of concessionaires and long-term infrastructure investors together with the Group of companies Cbonds awarded Center-invest Bank for a successful start and a significant contribution to the formation of the "green loan" market in Russia.

Furthermore, Center-invest Bank shares the values of the World Wide Fund for Nature (WWF) in preserving nature and preventing degradation of the natural environment. For several years the Bank has supported the environmental campaign "Earth Hour": for one hour the illumination of buildings and roof advertising of the bank's office buildings are turned off as a sign of concern for the future of the planet.

In accordance with the Exchange Bonds Program approved by the Board of Directors, the Bank plans to place documentary interest-bearing non-convertible bearer bonds with mandatory centralized storage on an open subscription basis on the Moscow Exchange in the Green Bonds Segment of the Sustainable Development Sector.

In accordance with this Procedure and principles, the Bank may issue exchange-traded bonds to finance and refinance loans for projects aimed at energy efficiency, renewable energy sources and financing environmentally friendly transport.

In the future the Bank may update the procedure and principles for the allocation of funds raised in the framework of the issue of "green" bonds, as well as to include in this procedure other acceptable categories of assets, loans and projects.

These Procedure and principles for the allocation of funds raised in the framework of issuing green bonds are based on the 2018 Green Bonds Principles (GBP 2018) published by the International Association of Capital Markets (ICMA). The structure of green bonds can be further updated and expanded as the securities market and market practices develop. The Bank aims to maintain the growth and integrity of the sustainable financing market.

Use of proceeds

The economy of southern Russia (represented by agribusiness, a recreational complex, transport) is sensitive to the risks of climate change. Modern technologies and the use of the best international practices make it possible to compensate for the influence of climatic factors. Long-term experience of the Bank's customers in these industries, the use of modern technologies, a high-level risk management and a sufficient level of provisioning for such customers make it possible to have a high-quality loan portfolio in these industries and maintain key indicators (profitability, level of overdue debt, concentration) at the average level of the entire loan portfolio of the Bank.

Center-invest Bank holds a leading position in Russia in lending to energy efficiency projects in the housing and communal services sector and is one of the few banks in Russia that provides loans to homeowners' associations

(homeowners associations) for on carrying out the capital repairs allowing to reduce expenses for operation of houses.

The funds raised as part of the allocation of green bonds will be used to finance or refinance energy-efficient projects in the industrial sector, agribusiness, housing and communal services and the services sector, which meet the criteria listed below and are able to bring additional environmental benefits with focus for projects that include elements aimed at solving priority environmental problems specific to the region in which the Bank operates, such as climate change mitigation and adaptation measures, desertification, biodiversity conservation, energy and resource conservation and can be measured by quantitative and qualitative characteristics, namely:

Categories environmental ("green) projects	Selection criteria	Description of sample projects that the Bank intends to finance
Renewable energy sources	<ul style="list-style-type: none"> - Increase energy production from renewable sources and / or A reduction in the consumption of primary energy and / or - Reducing the final consumption of a renewable energy source and / or - Reduction of other types of energy that may ultimately be associated with the use of a renewable source 	Projects aimed at the purchase/acquisition of solar heating systems, biomass boilers and other renewable energy sources.
Efficient use of electrical energy	<ul style="list-style-type: none"> - Reduction in primary energy consumption and / or; - Reducing the final consumption of electricity or fuel or fossil, and / or; - Reduction of other types of energy, which may ultimately be associated with the use of electric energy or fuel or fossil, and - Decrease in specific energy consumption (physical energy savings per unit of output) by at least 20% compared to the base level (before the implementation of the project). 	Projects aimed at investing in technologies, equipment, systems that allow for measurable improvements in the use of electricity, modernization of heat supply systems, installation of boilers, modernization of heat pumps, automatic lighting control, restoration of electricity distribution systems, modernization of the electric power system, replacement or modernization of elevators, installation of a heat meter at the building level, insulation / replacement of heat pipes and fittings, installation of thermal substations and heat exchangers with controls, weather protection, installation of solar systems, solar water heaters and heat pumps, modernization of autonomous heating / hot water supply systems, installation of autonomous boiler, improvement in the centralized heating system, ventilation, air conditioning, improvement of enclosing structures, including thermal insulation of the roof, ceiling, floor and / or exterior walls.
Environmentally friendly transport	<ul style="list-style-type: none"> - Reduction of the final consumption of electricity or fuel or of the consumed and / or - Reducing other types of energy that may ultimately be associated with the use of electricity or fuel or fossil fuels, and 	Projects aimed at the acquisition and subsequent use of energy-efficient (economical) commercial transport and agricultural machinery, as well as environmentally friendly

	<p>- Reduction of specific energy consumption (physical energy savings per unit of production) by at least 20% compared to the baseline level (before the implementation of the project).</p>	<p>transport (for example, electric, hybrid, public, rail, multi-modal transport), modernization of infrastructure for environmentally friendly energy vehicles.</p>
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Process for Project Evaluation and Selection

According to the provisions of the Environmental and Social Policy, all funded Projects at the stage of consideration are subject to classification according to the level of environmental and social risks (low, medium or high risk). The Bank tries to minimize its potential impact on the environment, including industry guidelines for the protection of the environment, health and labor. If this is not possible, the Bank may refuse to finance such a project. The Environmental and Social Policies also contain a list of projects prohibited for financing (**Center-invest Bank's Environmental and Social Prohibition List, Appendix 1**) and projects of category A, requiring increased attention.

All projects financed by issuing green bonds should be aimed at goals that increase the production of energy from renewable sources and / or allow reducing:

- primary energy consumption, and / or;
- final consumption of electricity or fuel of either fossil or renewable origin, and / or;
- other types of energy, which may ultimately be associated with the use of electricity or fuel, either fossil or renewable origin (for example, hot water, steam, compressed air).

All projects financed by issuing green bonds (with the exception of projects for financing renewable energy sources) should reduce specific energy consumption (physical energy savings per unit of output) by at least 20% compared with the base level (to project implementation).

In summary, the process of selecting projects in the Bank is as follows:

1. Responsible loan officer of the Bank with experience in the field of lending to energy-efficient projects and undergoing relevant training (SUSTAIN-BILITY TRAINING AND E-LEARNING PROGRAM (STEP) by IFC, E-learning Program on Environmental and Social Risk Analysis (ESRA) , Training course "Environmental and Social Training for Financial Intermediaries" by EBRD) conducts a preliminary assessment of the borrower and the project for compliance with established criteria.
2. The environmental Secretary of the Bank checks the assessment and makes a preliminary decision.
3. The final decision on financing of each specific project is made by the collegially authorized body of the Bank's Credit Committee.

In accordance with the requirements of the "Environmental and social policy" of the Bank for each Project financed by the issue of "green" bonds, the responsible credit officer of the Bank calculates a specific reduction in energy consumption and reduction of carbon dioxide (CO₂) emissions into the atmosphere. Such calculations serve as a basis for measuring the Bank's environmental performance.

Management of the Register of issued "green" bonds

The Bank may issue green bonds in the form of separate issues, separate issues within the framework of the bonds program or within the framework of the bonds program, combining the issues of green bonds. Green bonds may be admitted to organized trading or traded on the OTC market.

The Bank creates a Register of issued green bonds in order to record the expenditure of funds raised as part of the placement of green bonds. The register of green bonds issued is reviewed quarterly by senior treasury officers.

Funds from the placement of green bonds will be accounted for in a separate account.

The Bank intends to maintain the total amount of Projects financed within the framework of the placement of "green" bonds, not less than the total nominal value of the "green" bonds in circulation. During periods when the nominal value of the "green" bonds in circulation exceeds the value of the Projects financed within the framework of the placement of the "green" bonds, the amount of such excess is allocated in accordance with the Policy of PJSC CB "Center-invest" in the field of liquidity management and control. During the quarter following the repayment of the of the loan issued to Finance the Project, the Bank is obliged to exclude the Project from the Register and make every effort to replace the Project with another such Project, so that the total amount of Projects financed under this Program corresponds to the amount of the placed "green" bonds.

The Bank undertakes to continuously monitor projects throughout the entire period of co-storage of green bonds on the Bank's balance sheet. If the circumstances of the project implementation have changed as a result of monitoring, the project ceases to meet the established criteria, the credit issued for financing a specific project ceases to meet the quantitative and qualitative criteria necessary for inclusion in the Green Bonds Register, the Bank undertakes to exclude this loan from the list and replace it with another loan to finance a project that meets the established criteria.

The register of issued green bonds will contain information sufficient to identify each green bond and related Projects financed as part of the placement of green bonds. The register of issued green bonds will serve as the basis for the compilation of the Environmental Report.

Reporting

Center-invest Bank is committed to the principles of corporate ethics, accountability and stakeholder engagement. He systematically publishes information on the results of its activities to solve environmental and social problems and maintains a meaningful dialogue with all parties interested in the activities. He promotes these best practices among its customers.

Within the framework of the Annual Report, the Bank publishes an annual report on sustainable development, including, in particular, summary information on reducing greenhouse gas emissions, environmental expenditures, environmental and social impacts associated with the Bank's project portfolio, as well as information concerning achievement of environmental and social indicators by the bank itself.

Annually, since 2008, the Bank has been publishing an Environmental report, which is available on the official website of the Bank at the link: <https://www.centriinvest.ru/en/sustainability/environmentreports>

In each Environmental Report, the Bank discloses a list of all Projects funded over the past year.

Projects that were from the green bond will be allocated in a separate section indicating the total volume of the project, the amount financed from funds from the placement of green bonds, the industry, the level of decrease in specific energy consumption and the volume of reduction of carbon dioxide emissions.

External assessment

Bank "Center-invest" can attract an external verifier of "green bonds" issue. In this case, the independent conclusion of the external verifier will be posted on the official website of the Bank. An external verifier can also separately check the report on the disposal of green bonds.