

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Center-invest Bank

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Green Bond Framework (officially named as “Order and principles of placement of funds, raised through the issuance of “green bonds”)

Independent External Review provider’s name: RAEX-Europe (Rating-Agentur Expert RA GmbH)

Completion date of this form: 1.11.2019

Publication date of review publication: 25.11.2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|---|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

- RAEX-Europe Second Opinion
https://raexpert.eu/files/Center-invest_Bank_SO_Report_01.11.2019.pdf

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

According to our bond issuance assessment, the eligible projects for the use of funds are well aligned with the GBP 2018. The categories are **(1) renewable energy, (2) energy efficiency and (3) clean transportation**, which comply with GBP 2018 and have a positive environmental impact. The Bank has also confirmed that with the funds from this specific bond issuance, it is planning to finance (refinance) the projects that can help to mitigate environmental risks, which are critical for the main territory of the Bank's core operations (South of the European part of Russia), namely: climate change related processes, desertification, biodiversity decline, etc.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The process for evaluation and selection of projects is also in line with the GBP 2018 guidelines. In the current version of the Bank's GBF, each category of the eligible projects contains specific selection criteria relative to the category: qualitative targets for "Renewable energy" category, and the mixture of qualitative and quantitative targets for the "Energy efficiency" and "Clean transportation" category. In addition, the Bank's GBF contains brief description of the preliminary projects that can be financed (refinanced) through the green bonds issuance – see below:

Renewable energy:

- Increasing renewable energy production or
- Reduction of the consumption of primary energy or
- Reduction of the consumption of renewable sources or

- *Reduction of other types of energy, which may ultimately be related with the use of a renewable source of energy*

Energy efficiency

- *Reduction of the consumption of primary energy or*
- *Reduction of the consumption of electric power or fossil fuel or*
- *Reduction of other types of energy, which may ultimately be related with the use of a renewable source of energy*

and

- *Reduction of energy consumption (physical energy savings per unit of output) **by at least 20% compared to the baseline level** (before the project implementation)*

Clean transportation

- *Reduction of the consumption of electric power or fossil fuel or*
- *Reduction of other types of energy, which may ultimately be related with the use of a renewable source of energy*

and

- *Reduction of energy consumption (physical energy savings per unit of output) **by at least 20% compared to the baseline level** (before the project implementation)*

The Bank clearly defines the process through which the loans (projects) are selected. The initial (“zero”) stage of the project selection where loans will be allocated is based on the Bank’s [“Environmental and Social Policy of OJSC CB “Center-invest”](#) (ESP), which was introduced by the Bank in 2010. According to this policy, all projects funded by the Bank are subject to a preliminary environmental and social assessment to assist in the decision-making process on expediency of financing of a particular activity and, in case of a positive decision, the preliminary assessment also aids in the determination of the approach to solve a specific environmental and/or social problem.

In addition, all projects to be financed by the Bank, shall be classified into one of the three groups of environmental risks on the application stage. The risk levels are: **low, medium or high risks**. Taking into account the fact, that this procedure has been in place for almost 10 years and has been obligatory for all projects, financed by the Bank, in our view, this creates a solid technical and governance background for further evaluation and selection of eligible projects within the GBF. Moreover, within the ESP the Bank has approved an **“Environmental and social exclusion list”**, which describes a series of controversial projects and industries, which the Bank is prohibited to finance directly or indirectly. This creates, in our view, an additional “firewall” for the eligible projects evaluation and selection.

The process for evaluation and selection of eligible projects within the determined categories is the following:

- **Zero stage.** For the projects, related to the energy efficiency Bank lending program, the Bank’s employee (first line) sends a special questionnaire to the borrower in order to obtain the information about the customer’s energy and consumption of resources (recorded and planned). The filled-in questionnaire shall then be submitted to the Bank together with the technical documentation in regard to the equipment and shall be verified by the employee. The employee of the Bank who is responsible for this verification must go through an internal training program and be thoroughly aware of all the Bank’s environment related policies;
- **First stage.** The responsible credit officer of the Bank, having the required experience in lending to energy-efficient projects and having a relevant international certification (including IFC and EBRD certification), performs the preliminary evaluation of the borrower and the project for compliance with the Bank’s GBF selection criteria;
- **Second stage.** The ecological secretary of the Bank performs a check of the assessment and makes a draft decision on the project;
- **Third stage.** The final decision on the loan approval is done by the Bank’s collegial body – credit committee.

In our view, the process followed by the Bank complies with market expectations and local best practices. However, the described procedure of eligible projects evaluation and selection has some room for improvement, namely **separation of the responsible credit officer and environmental secretary duties**, as well the **implementation of an independent internal environmental auditor** within the structure of the Bank's credit committee, who will be independent from the Bank's Executive Board.

Evaluation and selection

- | | |
|--|--|
| <input type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The management of proceeds is characterized by **handling the funds through a separate account and a green bond register**, which is already planned to be created, revised on a **quarterly basis** and **published by the Bank**. The Bank has fully described in its GBF the procedure of how it will maintain the green bond register.

The Bank has also clearly disclosed that the **unallocated funds will be temporarily managed in accordance with the generally accepted liquidity management policy of the Bank**. An additional control under the management of proceeds will be supported by the issuer's internal policies, including the GBF, as well as current **listing rules of MOEX** (including rules for the MOEX's "[Sustainability section](#)"), as well as general rules and procedures of investors' protection in the Russian Federation.

The Bank confirmed that it plans to maintain the total value of the projects financed by the "green" bonds proceeds, **not less than the total nominal value of the Bank's "green" bonds issued**. During the quarter following the repayment of the loan issued to finance the eligible project, the Bank is obliged to remove this project from the green bond register and make efforts to replace this project with another one complying with the criteria set in the GBF, so that the total value of the projects financed remains equal to the net proceeds from green bonds issued. Moreover, the Bank confirmed that it will monitor the financed projects throughout the entire period the green bonds are maintained on the Bank's balance sheet. If the projects financed through the green bonds proceeds cease to meet the GBF criteria before the redemption of the green bonds, the Bank commits to exclude this loan (and the corresponding project) from the green bond register and replace it with another loan (and corresponding project) that meets the GBF criteria.

We consider that the management of proceeds is in line with GBP 2018 taking into account the current status of green finance practices in Russia.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- Allocations to future investments only
- Allocation to individual disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Allocations to both existing and future investments
- Allocation to a portfolio of disbursements
- Other *(please specify)*:

4. REPORTING**Overall comment on section** *(if applicable)*:

The **green bond register** (which will include all information necessary for identification of **all eligible projects**) will be used as a basis for reporting within the green bonds issuance. The Bank confirmed, that the information on the projects, financed by the green bonds proceeds will be included in the **Annual environmental report of the Bank as a separate annex, and will contain the following data:**

- *total value of the financed project;*
- *industry of the financed project;*
- *total reduction of the specific energy consumption;*
- *total reduction of CO2 emission.*

The Bank has a track record of environmental reports publication since 2008. These reports are based on the international practices of the banking environmental reporting and can be verified or audited by external parties in the future. Therefore, we consider that the described procedure of reporting is in line with the GBP 2018.

Use of proceeds reporting:

- Project-by-project
- Linkage to individual bond(s)
- On a project portfolio basis
- Other *(please specify)*:

Information reported:

- Allocated amounts
- Other *(please specify)*:
- Green Bond financed share of total investment

Frequency:

- Annual
- Other *(please specify)*:
- Semi-annual

Impact reporting:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input checked="" type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (please specify): |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify):
Environmental report of the Bank |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

The Bank's Environmental Reports:

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

The Bank's Annual Reports:

<https://www.centriinvest.ru/files/about/reports/annual/Annual-Report-2018.pdf>

The Bank's Strategy:

https://www.centriinvest.ru/files/about/reports/13.02._Strategy%202019-2021_Ru.pdf

The Bank's documentation on securities issues:

<https://www.centriinvest.ru/ru/investors/pub-info/securities-reports>

<https://www.centriinvest.ru/ru/investors/pub-info/issue-docs>

<http://e-disclosure.ru/portal/company.aspx?id=3018>

The Bank's Environmental & Social Policy, Green Bond Framework and Reports:

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

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

https://www.centriinvest.ru/files/about/pdf/Green_Bond_Framework.pdf

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|---|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):**Date of publication:**

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.