

RESPONSIBLE INVESTMENT

VTB CAPITAL INVESTMENTS CONSISTENTLY IMPLEMENTS THE PRINCIPLES OF RESPONSIBLE INVESTMENT. THIS INVESTMENT APPROACH TAKES INTO ACCOUNT NOT ONLY FINANCIAL, BUT ALSO ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS IN THE INVESTMENT DECISION-MAKING PROCESS.



"Investments are an increasingly popular way for individuals to save and grow their wealth. We have seen a significant influx of investors into the market and would like to allow them to invest responsibly and follow global ESG practices. Companies that meet ESG metrics are attracting more and more attention from investors worldwide, and we are confident that this approach will also be in demand in Russia. It is important for both our investors and us that investments do not just perform financially, but work for the benefit of all stakeholders including employees and society as a whole".

Vladimir Potapov

VTB Capital Investments Chief Executive Officer, Senior Vice President, VTB Bank

Issues Regarding Social and Green Bonds by Russian Railways OJSC

In 2020, VTB Capital acted as one of the organizers of a RUB 100 billion placement of Russian Railways OJSC green perpetual bonds.

The transaction was the first market placement of green bonds in Russia for a state corporate borrower with the highest credit quality. In addition, the transaction was the largest rouble-denominated bond placement in Russia and the CIS, and the largest perpetual bond issue by a corporate issuer in the CIS, Eastern Europe and the Middle East. Cash proceeds from the placement of the bonds will be used to finance green projects of *Russian Railways*.

The bond issue was recognised by the Expert RA rating agency as compliant with the Green Bond Principles of the International Capital Markets Association and the Russian national methodology developed under the guidance of VEB.RF.

VTB Capital also acted as a co-organiser of a CHF 250 million six-year green bond placement by *Russian Railways*. This placement was the first issue of Swiss francs in the green format among issuers in the CEEMEA region, within the framework of which it was possible to achieve the the lowest coupon rate in the history of the placement of Russian Railways Eurobonds in different currencies. The proceeds from the placement are to be used by *Russian Railways* to finance green projects, including the purchase of electric trains.

VTB Capital also acted as a co-organiser in the placement of Russia's first ever social Eurobonds of *Russian Railways* in the amount of RUB 25 billion, maturing in March 2028. This was the longest ever public placement of Eurobonds denominated in Russian roubles by a Russian issuer. The proceeds from the Eurobond placement will be used to finance and refinance expenses related to the implementation of the Company's social projects. The issue was prepared in accordance with the Social bond principles, International Capital Markets Association. The confirmation of compliance for *Russian Railways* is provided by Sustanalytics.



Management of Largest Endowments in Socially Significant Spheres of Society Development

VTB Capital Investments is the market leader in endowment fund trust management services, with over RUB 11 billion under management.

The company successfully invests special-purpose capital funds of the country's largest endowments in education, culture and art, science, non-professional sports and other critical areas of community development. VTB Capital Asset Management JSC has the largest endowment pool in Russia under management with over RUB 11 billion, including the Special endowment fund for Support and Development of Skolkovo Institute of Science and Technology, the State Tretyakov Gallery Support Fund, as well as endowments at major universities (MGIMO, St. Petersburg State University, HSE, Law Enforcement Academy, Plekhanov Russian University of Economics, Financial University under the Government of the Russian Federation, etc.) and a number of other socially important funds.

VTB currently manages 76 funds in seven federal districts of the Russian Federation. VTB Capital Investment representatives are actively involved in developing the institution of endowment funds, designing legislation and communicating with the professional community.

Investment Programme with an Embedded Charity

In 2020, VTB Capital Investments launched a programme with an embedded charity, under which the management company will allocate 20% of the asset management fees of the VTB Gold Open-end mutual fund to the *Old Age in Joy* charity fund.

The *Old Age in Joy* charity fund has been operating since 2011. The foundation's strategic goal is to build a system of assistance in Russia that will be available to every elderly person who finds themselves in a difficult life situation. Currently, the *Old Age in Joy* charity fund supervises more than 350 nursing homes and psycho-neurological residential institutions across Russia. VTB has been providing charitable and volunteer support to the fund since 2017.

During 2020 when the programme with embedded charity was in operation, VTB Capital Investments transferred more than RUB 4 million to the *Old Age in Joy* charity fund. The funds were used to provide medicines and non-contact thermometers to three nursing homes for the elderly and disabled, to pay additional employees for the care and recreation of boarders, and to buy Christmas presents.

In addition, in 2020 VTB Capital Investments agreed the practice of allocating one-time assistance upon request for charitable fund projects from the management company's fee for managing the investment fund, and supported the *Help me do it myself!* project of the *Different Kids* (charitable fund a charity fund helping children from boarding schools, children with Down syndrome and children with disabilities).

In the future, VTB Capital Investments plans to launch new embedded charity programmes, and it aims to expand cooperation with other charity funds.

ESG Funds

In 2020, VTB Capital Investments was the first company in Russia to launch two open investment funds (OIF) for responsible investment. When managing assets, along with traditional fundamental indicators, ESG factors are taken into account: ecology, social responsibility and corporate governance. VTB Capital Investments offers its customers two such funds for investments in equity and bonds of Russian companies.

VTB Bond Fund. Responsible investments (for conservative investors)

STRATEGY

The fund's strategy aims to invest in corporate bonds of Russian issuers whose environmental, social and governance factors have been integrated into the production process, with a focus on safeguarding invested capital.

Investment object:

bonds of Russian issuers

Risk Assessment:

low

Minimum amount of investment:

RUB 1,000

Net asset value of VTB Bond Fund.

Responsible investments:

RUB 415 million

KEY PORTFOLIO PARAMETERS

Weighted average yield to maturity	5.9%
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Weighted average duration	2 years
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Weighted average credit rating	BB+
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VTB Equity Fund. Responsible investments (for aggressive investors)

STRATEGY

The fund strategy is aimed at long-term capital growth by investing into equity of Russian issuers, which have high growth potential and at the same time have been analysed and meet ESG criteria.

Investment object:

equity of Russian issuers

Risk assessment:

high

Minimum amount of investment:

RUB 1,000

Net asset value of VTB Equity Fund.

Responsible Investments:

RUB 280 million

TOP 5 SECURITIES IN THE PORTFOLIO (SHARES, %)

Sberbank PJSC	10.8
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Gazprom PJSC	7.5
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YNDX RX Equity	5.9
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Novatek PJSC	5.2
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LUKOIL PJSC	4.9
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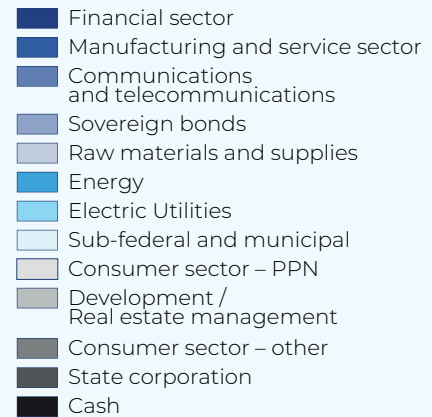
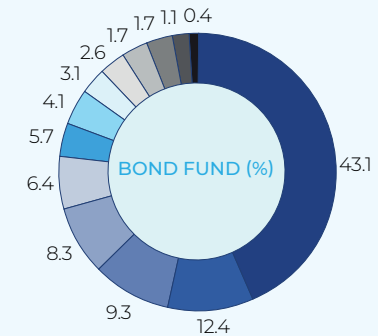
INDUSTRIAL DISTRIBUTION

RESPONSIBLE INVESTMENT FACTORS

- Investing in securities of companies with the highest environmental and energy efficiency;
- Improving the credit profile of companies by attracting financing for green projects on more favorable terms than the market average;
- Direct environmental impact of investments.

CLASSIC PORTFOLIO MANAGEMENT

- Active management in terms of interest rate and credit risks;
- Analysis of current macroeconomic processes in Russia and worldwide, credit analysis of issuers;
- Improvement of risk/return ratio through credit expertise and duration management;
- Wide diversification of credit risk by issuers.



INDUSTRIAL DISTRIBUTION

RESPONSIBLE INVESTMENT FACTORS

- The financial indicators are adjusted for the expected impact of ESG factors;
- Qualitative analysis of ESG factors;
- Data from in-house and independent research is used;
- Comprehensive assessment of ESG factors for each company in the portfolio;
- Weighting of securities may be adjusted upward or downward.

CLASSIC PORTFOLIO MANAGEMENT

- Focus on highly liquid, undervalued equity of Russian companies;
- Analysis of companies based on proprietary financial models;
- Regular review of portfolio assets to reflect changing market conditions;
- On a quest for new ideas (meetings with company management, visits to production sites and industry events).

