



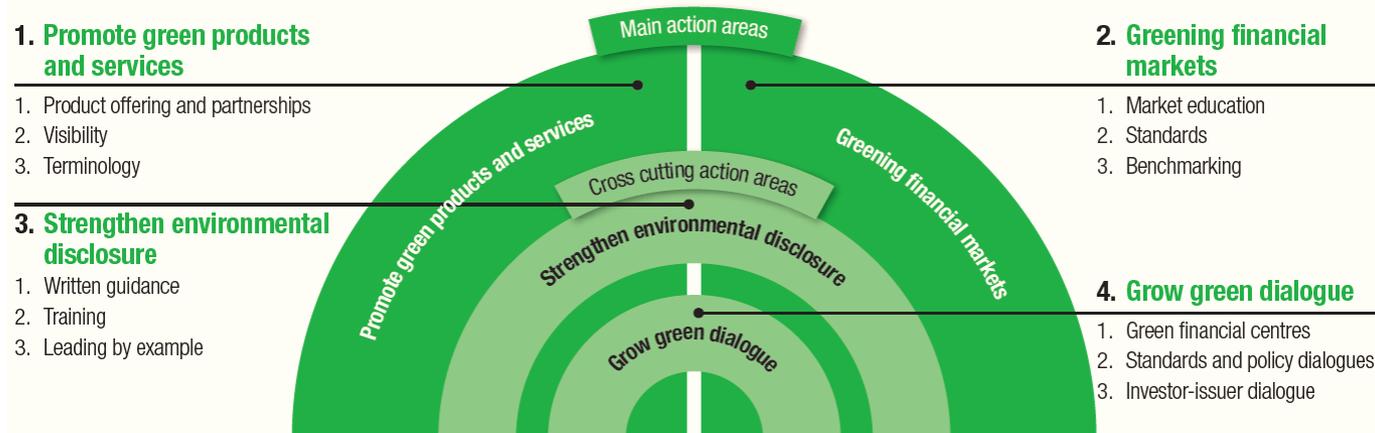
**MOSCOW
EXCHANGE**



Sustainability Sector on the Moscow Exchange (MOEX)

MOEX commitments for sustainable finance

- **MOEX is a Partner Exchange** of the United Nations Sustainable Stock Exchanges initiative.



- ✓ Mission - to build the capacity of stock exchanges and securities market regulators to promote responsible investment in sustainable development and advance corporate performance on environmental, social and governance issues.
- ✓ ESG challenges in Russian market: how to motivate companies to pay attention to ESG issues if it does not increase their profits or strengthen market position.
- **Sustainability Sector** - launched in August 2019 - to promote better markets through more sustainable business practices and responsible investments.
- **Sustainability indices** - launched in April 2019 in partnership with the Russian Union of Industrialists and Entrepreneurs (RSPP) in the context of country-specific indices - Responsibility and Transparency Index and Sustainability Vector Index - based on annual analysis of Russia's largest companies demonstrating a robust ESG profile assessed by RSPP.

Green Bond Market Evolution

Total market currently above USD 650bn

2015-2018: Growth spreads, infrastructure built

- Surge of Asian issuance – first China then ASEAN & Japan, US and Europe build further.
- Exchanges launch green segments: LGX, LSE., etc.
- Data providers tag green/social/sustainability bonds: Bloomberg, CBI, Dealogic, Environmental Finance etc.

2014: GBP Launch Spurs Ecosystem & Growth

- First iteration of the Green Bond Principles is published
- First GB Indices: BAML, MSCI Barclays, S&P, Solactive
- Green Bond volumes rise dramatically

2013: The Green Bond market takes off

- Green Bonds had been mainly a product for select institutional and retail investors until 2013
- Larger deals start coming to market
- Institutional investor interest increases

2012: Launch of Climate Bond Standard galvanizes interest

- Start to define green (selected sectors)
- Verification / external review promoted
- Clear labelling process

2007/8: EIB and IBRD issue first Green Bonds

Establish now familiar pillars

- Proceeds linked to green projects
- Reporting on use of proceeds



Green Bond Market has become one of the priorities of Bank of Russia

The Bank of Russia Guidelines for the Development of the Russian Financial Market in 2019–2021 cover the following key areas and activities:



Building reliable financial environment

- Involvement of financial consumer ombudsmen in disputes resolution
- Increase of personal responsibility of management
- Limited employment opportunities in financial sector for malicious (unscrupulous) people
- Development of qualified investor institute
- Increase of responsibility for substandard sale of financial products
- Unified financial transactions register



Improving financial inclusion and availability of capital

- Introduction of individual pension capital accounts
- **Introduction of “green” bonds**
- Crowdfunding
- Introduction of new rules for crediting private-public partnerships
- Development of concession projects
- Marketplace project launch
- Introduction of financial services access points map
- Development of remote identification and unified biometric system
- Development of electronic insurance services distribution channels
- Improving insurance services inclusion in Russian regions



Developing market competitiveness

- Implementation of integrated road map for developing competition in various sectors of Russian economy approved by the Government
- Building biometric database
- Credit history bureau reform
- Marketplace project launch
- Faster payment system in force
- Testing of digital identification platform
- “Regulatory sandbox” project development
- Bank of Russia’s withdrawal from the capital of banks undergoing resolution after their financial rehabilitation

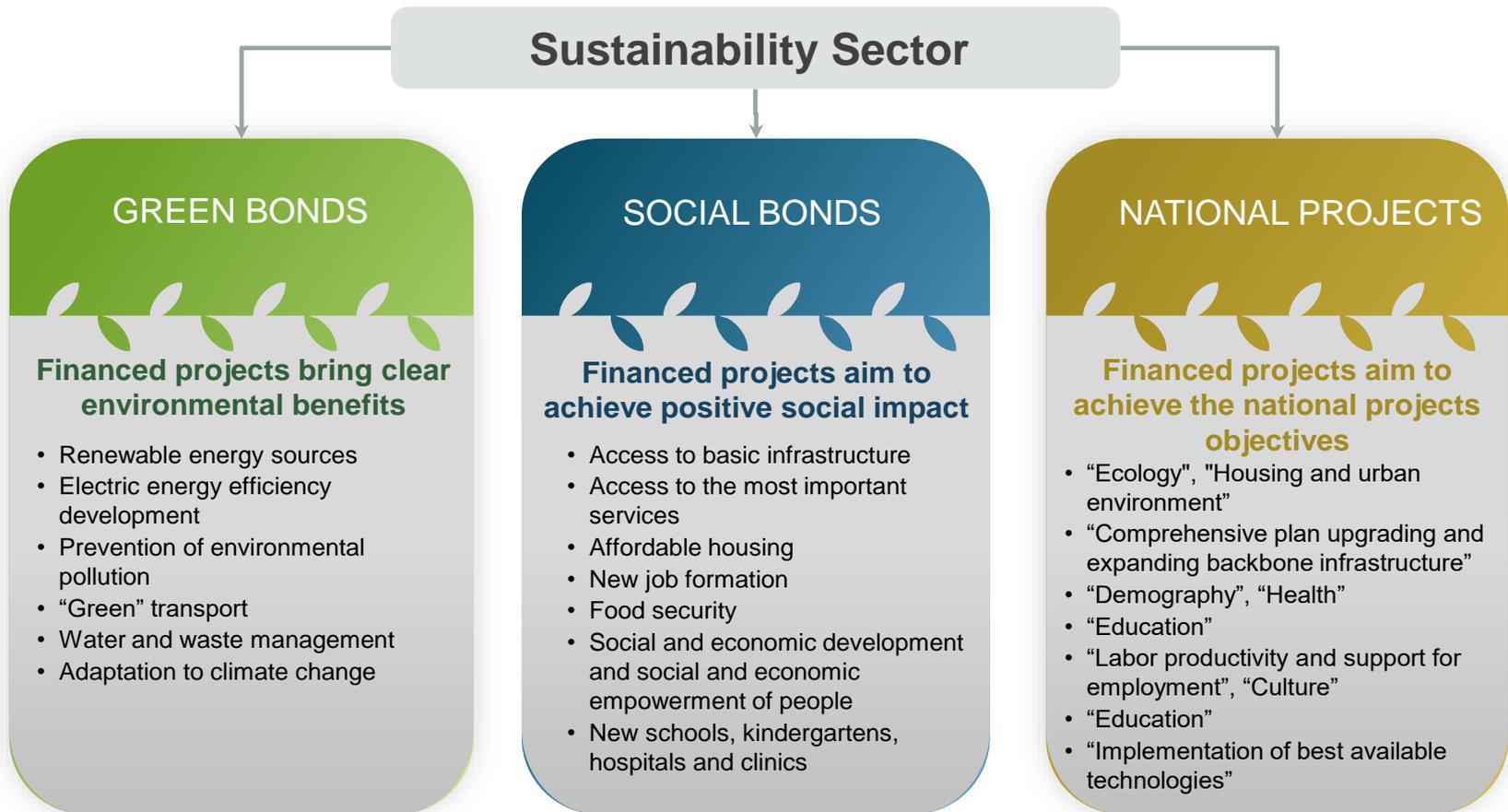


Ensuring financial stability

- Control for the population indebtedness and prevention excessive risk accumulation in the segment
- Risk-based approach to insurance market participants
- Widening the list of financial non-credit institutions subject to stress testing
- Improving the toolkit for macroprudential stress testing

Concept of the Sustainability Sector on MOEX

- Facilitation of capital raising for companies implementing environmental and social initiatives
- Shaping business practice in the Russian market



Admission and Post-issuance Reporting Requirements

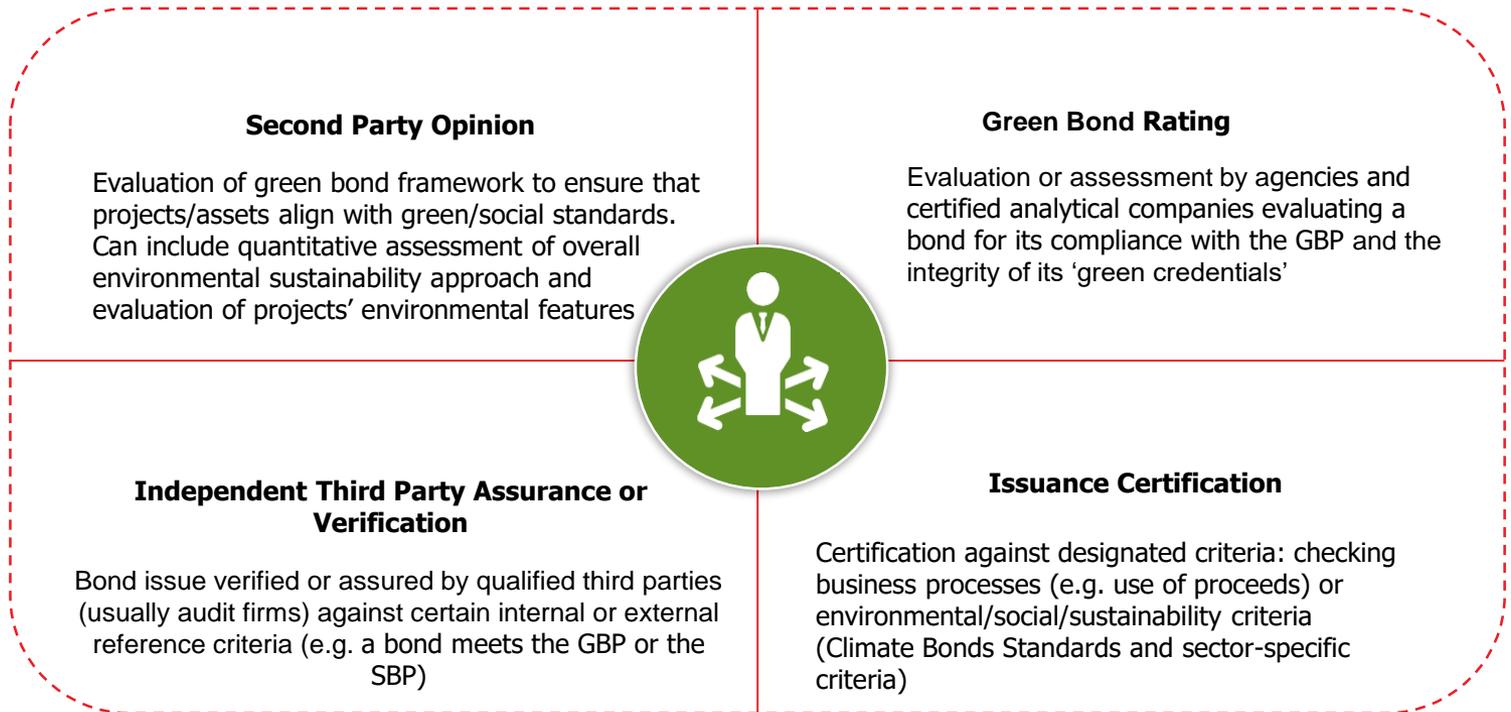
- Inclusion in the Sustainability Sector is voluntary
- Issuers submit Sustainability Sector Application (declaring their understanding of the ongoing obligations and commit to provide a relevant report on use of proceeds) and provide an external review to confirm green/social nature of the issue
- Issuers are required to submit a report on appropriate use of proceeds on an annual basis (by 15th of July) for the lifetime of the bond or until full allocation of proceeds.
- Report shall be disclosed by one of the official information distributors in the Russian securities market and submitted to MOEX for disclosure at the website. The report should include a list of the projects to which proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.
- If an issuer does not disclose the relevant report an issue may be removed from the Sustainability Sector
- An issue bond can be offered within exchange-registered bond programs as well

What might be verified?



External Review Types

To admit bonds to MOEX's dedicated Sustainability Sector, issuers are required to provide external review in the form of the following (for green or social):



For national infrastructure project issuances a decision of government bodies or officials on compliance with a Project objectives is required

Advantages and disadvantages of going green

From the issuer's perspective:

Pros	Cons
<ul style="list-style-type: none">• Reputational benefits - improve corporate image, generate positive public relations (e.g. marketing can highlight issuer's green credentials and support for green investment)• Demonstrating and implementing issuer's approach to ESG policy• Improving diversification of a bond issuer's investor base	<ul style="list-style-type: none">• Entails some additional costs including the resources needed to develop a green bond framework• Reputational risk if a bond's green credentials are challenged

From the investor's perspective:

Pros	Cons
<ul style="list-style-type: none">• Use of proceeds and other reporting requirements (on spending efficiency, project details and updates, impact performance, etc.) give green bond investors a significant information advantage• Improved risk assessment through use of proceeds reporting• Satisfy ESG requirements and green investment mandates	<ul style="list-style-type: none">• Lack of unified standards can raise confusion and possibility for reputational risk if green• integrity of bond questioned• Small bond issue sizes and less liquid market• Investors may seek penalties for a "green default" whereby a bond is paid in full

Case study: green bond issued by Center-Invest Bank

Use of proceeds - financing and refinancing of loans to finance the environmental projects in:

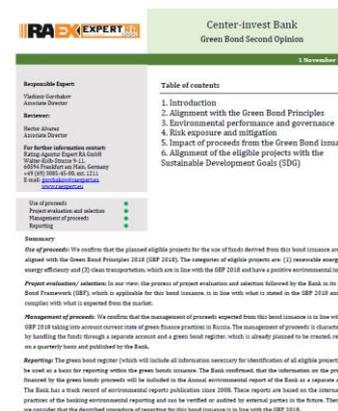
- Renewable energy
- Energy efficiency
- Clean transportation

Green Bonds Framework providing guidance for the bond issuing activity:

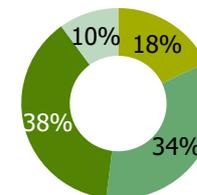
- evaluation and selection of projects
- management of proceeds (separate account and green bond register)
- total value of the projects financed not less than the total nominal value of green bonds issued
- annual environmental report (total value of the financed project; industry of the financed project; total reduction of the specific energy consumption; total reduction of CO₂ emission)

Environmental and Social Policy of the Bank:

- incorporation of the environmental and social aspects into the mainstream business of the Bank
- determination, both for the Bank, and for its customers, of the corresponding functions and duties to achieve stable results in agreement with the ESP
- setting of the strategic task of support of projects with high environmental and social yields



Book structure



■ Individuals ■ AM ■ Banks ■ IFI

MOEX ESG Indices have been awarded ISAR Honours 2019*

- MOEX - RSPF Responsibility and Transparency Index
- MOEX - RSPF Sustainability Vector Index



- ESG Indices are designed for investors wishing to integrate ESG factors into their core investments.
- The key criteria for constituent eligibility and selection in the indices are the ESG scores provided by Russian Union of Industrialists and Entrepreneurs (RSPF).
- The scores contain a total company ESG score for a financial year, comprising 50 metrics in environmental (E), social (S) and governance (G) dimensions based on publicly-available corporate reporting of Russia's top 100 companies (in terms of sales volume).
- The methodology of ESG Indexes is constructed to be simple, with a selection process meant to keep the index's constituents weights in line with their ESG performance.

* - The ISAR Honours were established in 2018 to promote best national and international practice for sustainable development and reporting, and to support efforts to enhance the quality and comparability of companies' reporting on sustainability issues and on the United Nations 2030 Agenda for Sustainable Development. ISAR (Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting) is coordinated by United Nations Conference on Trade and Development (UNCTAD).

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- perception of market services offered by the Company and its subsidiaries;
- volatility (a) of the Russian economy and the securities market and (b) sectors with a high level of competition that the Company and its subsidiaries operate;
- changes in (a) domestic and international legislation and tax regulation and (b) state policies related to financial markets and securities markets;
- competition increase from new players on the Russian market;
- the ability to keep pace with rapid changes in science and technology environment, including the ability to use advanced features that are popular with the Company's and its subsidiaries' customers;
- the ability to maintain continuity of the process of introduction of new competitive products and services, while keeping the competitiveness;
- the ability to attract new customers on the domestic market and in foreign jurisdictions;
- the ability to increase the offer of products in foreign jurisdictions.

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