

Approved by the Board of Directors
(Protocol №5 of the Meeting of the
Board of Directors December 6, 2019)

POLICY
on Environmental and Social Sustainability
of International Investment Bank

Contents

1. INTRODUCTION	3
1.1. Key principles and scope	3
1.2. Terms and Definitions	3
1.3. Abbreviations	3
2. COMMITMENTS	4
3. GOVERNANCE OF THE BANK’S ENVIRONMENTAL AND SOCIAL ACTIVITIES ...	5
4. ENVIRONMENTAL AND SOCIAL STANDARDS	5
5. PRINCIPAL AREAS OF THE BANK’S SUSTAINABILITY ACTIVITIES	5
6. PUBLIC INFORMATION AND DISCLOSURE	6
7. MONITORING AND EVALUATION	6
8. COMPLAINTS AND GRIEVANCES	6
9. CHARITY AND SPONSORSHIP	7
10. FINAL PROVISIONS	7
11. REFERENCES	7
12. LIST OF REGULATORY DOCUMENTS BECOMING NULL AND VOID UPON ADOPTION OF THIS DOCUMENT	7

1. INTRODUCTION

1.1. Key principles and scope

1.1.1. The Policy on Environmental and Social Sustainability of IIB (hereinafter, “Policy”) covers environmental and social aspects of sustainable development of International Investment Bank.

1.1.2. IIB aims to maximize the use of shareholder countries’ policies and priorities in managing environmental and social risks and impacts.

1.1.3. The purpose of this Policy is to promote environmental and social Sustainability in the member states of IIB. The purpose is derived from the Bank’s mandate and mission. One of the goals of this Policy is to systematize the approaches applied by IIB to corporate social responsibility.

1.1.4. This Policy shall be binding upon all of the Bank’s units and staff members.

1.1.5. Department of International Relations and Communications shall be responsible for the formulation and, if necessary, updating of this Policy.

1.2. Terms and Definitions

As used in this Policy, the following terms shall have the definitions below:

Term	Definition
Stakeholders	Organizations or individuals that are reasonably expected to be materially affected by the Bank’s activities and/or services and whose actions are reasonably expected to affect the Bank’s ability to effectively implement its policies and strategies and achieve its goals.
Corporate Social Responsibility	The concept whereby organizations consider the interests of society by identifying areas of responsibility for the impact of their activities on customers, suppliers, employees, shareholders, local communities, and other stakeholders and on the environment.
Environment	The natural environment in which an organization exists, including air, water, land, natural resources, flora, fauna, people, space, and their relationships.
Sustainability	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
Sustainable Development Goals	A collection of 17 global goals designed to be a “blueprint to achieve a better and more sustainable future for all.” They were set in 2015 by the United Nations General Assembly (part of UN Resolution 70/1, the 2030 Agenda) and intended to be achieved by the year 2030.
Sustainability Report	The report provides information on an organization’s results with respect to its economic, environmental, and social impact on the external environment.

1.3. Abbreviations

The following abbreviations are used in this Policy:

Abbreviation	Meaning
Bank, IIB	International Investment Bank
CSR	Corporate social responsibility
ESG	Environmental social guidelines

2. COMMITMENTS

2.1. IIB is governed in its activities by the principles of CSR that enables the Bank to fulfill its objectives of an international development institution in an efficient manner. By financing socially-focused, energy and resource-efficient projects, IIB contributes to Sustainable Development Goals that are in line with the interests of its member states.

2.2. IIB integrates principles of environmental and social Sustainability in its regulatory framework and operations to ensure that its investments have minimal adverse effect on the Environment and people.

2.3. The Bank recognizes that its activities may effect the Environment and well-being of the citizens of its member states. IIB is committed to take all necessary measures to prevent and mitigate risks and negative impacts and maximize the positive effect.

2.4. Following its development mission IIB strives to carry out investment and other core activities with the intent to “do no harm” to member states’ people and Environment, to enhance the Sustainability of their economies and markets and to achieve positive development outcomes. IIB is committed to ensure that the cost of economic development is proportional to various social strata of member states, that the Environment is not degraded in the process, and that renewable natural resources are managed sustainably.

2.5. IIB believes that environmental and social risks should be identified at the earliest possible stages of investment planning and should be considered by the clients as priority ones. In this respect, IIB is committed to asking its clients to prevent pollution at source where possible, to apply the principles of fundamental human rights in the working Environment, to efficiently use natural resources, and to minimize waste generation through recycling, innovation and pollution prevention.

2.6. IIB makes every possible effort to redirect financial flows in support of transitions of member states markets’ sustainable development. IIB will continue to gradually increase the overall total amount or share of investments allocated for sustainable development purposes.

2.7. In order to fulfill its mandate and achieve its goals IIB seeks to cooperate with clients who identify and manage environmental and social risks and who pursue environmental and social opportunities and objectives in their business activities in order to constantly improve their Sustainability.

2.8. The Bank seeks to maintain a constant dialogue with its member states to keep abreast of their latest national priorities related to environmental and social sustainable development.

2.9. IIB recognizes that climate change is a serious challenge that affects the state of global Environment and well-being of people. The Bank will aim to address this issue at various levels. IIB will strive to finance operations in its member states aimed at application of energy efficiency measures, cleaner production process, use of renewable energy sources and Sustainability targets set up by shareholders’ governments or clients.

2.10. IIB respects the observance of fundamental human rights in the working environment as a crucial element of sustainable development. The right to decent working conditions, fair and equal treatment and opportunity, respect for health and safety are all the best practices defined by International Labour Organisation. In all operations that IIB finances, the Bank will strive to ensure that these rights are respected by clients in the agreements governing the Bank’s financing.

2.11. IIB pursues the development of processes, tools, methodologies and institutional arrangements that make it possible to design and implement sustainable development at the scale required by shareholders. IIB strives to integrate environmental and social criteria into all of its core activities, including lending and investment, funding, treasury operations. This includes reinforcing the collaborative effort between the Bank and member states to improve the quality, robustness and consistency of sustainable finance tracking and reporting through sharing the best practices and knowledge and by increasing the transparency and accessibility of data.

2.12. IIB considers transparency and accountability as key elements of a sustainable business development. The Bank will aim to encourage its clients to engage in a dialogue with Stakeholders, identify and interact with potentially affected communities, disclose relevant information about their business activities.

2.13. IIB is committed to manage the footprint associated with its internal operations. Following

principles of CSR, IIB strives to make Sustainability an integral part of its day-to-day operations in IIB Headquarters, branches, and continually improves the environmental performance of its internal business operations through “green office” concept. This commitment also includes pursuing best practices in environmental and social management, including raising staff awareness of their role in the process.

3. GOVERNANCE OF THE BANK’S ENVIRONMENTAL AND SOCIAL ACTIVITIES

3.1. The Bank uses experience and best practices of leading multilateral development banks and international financial institutions to build a sound environmental, social and CSR governance systems.

3.2. The Chairperson of the Management Board shall be in charge of the general management of the Bank’s CSR, environmental and social activities.

3.3. With the aim of ensuring the strategic planning and coordination of these activities and over the course of developing this area the Management Board has decide to establish the ESG Steering Committee.

3.4. ESG Steering Committee carries out planning, coordination and facilitation of internal efforts aimed at the integration of environmental and social guidelines into core activities of the Bank.

3.5. ESG Steering Committee, among other authorities/duties/functions, performs the evaluation of net environmental and social impact of IIB activities, acts as an internal ESG agenda-setting body determining the scale and intensity of related activities and setting environmental and social benchmarks for the Bank with further obligatory monitoring of progress in their achievement.

3.6. ESG Steering Committee will set out internal criteria for IIB sustainable investment portfolio, sustainable treasury investments and sustainable bond framework.

4. ENVIRONMENTAL AND SOCIAL STANDARDS

4.1. IIB seeks to apply best international environmental and social practices in all operations it finances and take into consideration provisions of national legislations and government priorities of member states in this area.

4.2. As a member of United Nations Global Compact (hereinafter, “Global Compact”), IIB follows its principles related to human rights, workplace, environment and anti-corruption as an integral part of its strategy and undertakes best possible efforts for their practical implementation.

5. PRINCIPAL AREAS OF THE BANK’S SUSTAINABILITY ACTIVITIES

5.1. In its operations, the Bank strives to contribute to long-term economic, environmental, and social progress in the member states in order for them to achieve Sustainability through:

- responsible social and business practices;
- responsible environmental practices;
- responsible employment practices.

5.2. In its activities, the Bank is committed to the principle of unconditionally fulfilling its obligations to customers, investors, counterparties, partner organizations, contractors, suppliers, and other Stakeholders and guarantees the high quality of its products and/or services.

5.3. The Bank is extensively involved in anti-money laundering, combating the financing of terrorism, and countering other illegal acts in the financial and banking sectors.

5.4. The Bank does not finance projects, specified in the Annex 1 to the Environmental and Social Impact Assessment Guidelines [2].

5.5. All operations financed by IIB are subject to environmental and social assessment as an

integral part of due diligence and project appraisal process. Objective of the assessment is identification of potential environmental and social risks and negative impacts, as well as potential opportunities and their integration into the project structure.

- To assess and monitor the environmental risks of projects, the Bank may engage consulting, auditing, and research organizations and individual experts on a contractual basis.
- As a result, the Bank can take an informed decision on whether financing can be provided to a prospective project and if so, what particular environmental and social issues need to be addressed during planning, financing, implementation and monitoring of the project.
- The depth of environmental and social assessment is determined individually for each project and shall be appropriate to the nature and scale of the project in question depending on risks and impacts that it generates.

5.6. The Bank aims to use the results of environmental and social assessment of operations to form a portfolio of sustainable projects.

5.7. IIB will work towards further increasing the share of sustainable investments in its treasury portfolio.

5.8. The Bank builds business relations with its employees based on the principles enshrined in IIB HR Policy [3] inter alia observance of legitimacy and respect for the generally recognized labor rights of the employees, equality, objectivity and transparency within recruitment process; equal opportunities for development, fair, adequate and well-balanced remuneration.

6. PUBLIC INFORMATION AND DISCLOSURE

6.1. IIB undertakes to inform the public in a transparent and timely manner about environmental and social aspects associated with its activities. The Bank reports on general environmental and social performance of its business during a financial year in its Sustainability Report, which is an integral part of the annual report.

6.2. Additionally, IIB annually submits required environmental and social performance data to Global Compact in accordance with its membership obligations. The statement about progress in integrating the principles of the Global Compact into the Bank's activities is an integral part of the annual report.

6.3. As a member of various platforms of development financial institutions the Bank undertakes and fulfills required reporting obligations related to environmental and social performance.

7. MONITORING AND EVALUATION

7.1. IIB undertakes best possible efforts to monitor all operations financed against agreed environmental and social requirements in order to ensure that relevant environmental and social terms and conditions stipulated in the loan documentation are met. Monitoring of environmental and social aspects is based on the information provided by the clients. In case of complex operations, the Bank has a right to retain a third party consultant to monitor implementation of such projects.

7.2. Evaluation of environmental and social performance of projects financed by IIB will be undertaken after the project completion and will focus on assessment of the project's outputs and impact against expected results and the mission of the Bank.

8. COMPLAINTS AND GRIEVANCES

Any party that is affected by the Bank's operations and their environmental and social impacts

may submit complaints and grievances to IIB. Complaints and grievances should be submitted to Internal Control Department and Compliance Department of IIB in written to the IIB's web site: <https://iib.int/en/contacts>. The Bank commits to timely, transparent and responsible manner of communication and dealing upon with these complaints and grievances.

9. CHARITY AND SPONSORSHIP

9.1. The main area of the Bank's charity and sponsorship activities is to support environmental initiatives, education and science, as well as the preservation of the cultural heritage of the Bank's member states. In the same time, sponsoring of political parties or purposes is prohibited.

9.2. For the purpose of environmental conservation and protection, the Bank may provide financial support for environmental initiatives and projects implemented by national and international institutions, including non-governmental organizations, in the Bank's member states.

10. FINAL PROVISIONS

Should the Agreement Establishing the International Investment Bank and its Charter [1] be amended, this Policy, as well as the amendments to it, shall apply to the extent not inconsistent with the Agreement Establishing the International Investment Bank and its Charter [1].

11. REFERENCES

1. Agreement Establishing the International Investment Bank dated July 10, 1970, registered with the United Nations Secretariat on December 1, 1971 under No. 11417, as amended by the Protocol Amending the Agreement Establishing the International Investment Bank and its Charter dated May 8, 2014, the Protocol of the 1st/110th Meeting of the Board of Governors dated December 4, 2018.

2. Environmental and Social Impact Assessment Guidelines (ПДК-91) approved by Order No.104 of December 11, 2015 in actual version.

3. IIB HR Policy (ИТК-16) approved by Order No.61 of June 11, 2019.

12. LIST OF REGULATORY DOCUMENTS BECOMING NULL AND VOID UPON ADOPTION OF THIS DOCUMENT

Upon adoption of this Policy, the Corporate Social Responsibility Policy (ИТК-9), approved by Order No. 40 of April 19, 2016 shall be deemed null and void.