

Green Bond Framework

Introduction

About Sberbank

Sberbank of Russia (Sberbank, Bank) is the largest bank in Russia, Central and Eastern Europe, and one of the leading international financial institutions.

In 2020, as part of Sberbank's Strategy 2023 development, the ESG (Environmental, Social, Governance) Strategy of Sberbank was approved, involving the integration of social, environmental (including climate) and governance responsibilities in all areas of Sberbank's activities. The strategy establishes key areas and goals for ESG and sustainable development¹.

Sberbank has joined several international initiatives in the area of sustainable development and responsible finance, thus making additional commitments, including the UN Global Compact and the Principles for Responsible Banking. Furthermore, Sberbank shares the Principles for Responsible Investment and contributes to the achievement of the UN Sustainable Development Goals.

In 2021, the Supervisory Board of the Bank approved the Environmental, Social, Governance and Sustainability Policy (hereinafter, the ESG Policy)².

About green bonds

Sberbank's green bonds are placed to replenish funds spent on loans to finance green projects with positive impact on preserving and protecting the environment, i.e., the construction of power plants operating on renewable energy sources.

In accordance with the Exchange-Traded Bond Program approved by the Supervisory Board (Minutes No. 14 of 17 May 2021), the Bank plans to place exchange-traded bonds on the Moscow Exchange in the Green Bonds Segment of the Sustainability Sector.

The Bank may include other categories of loans and projects in the updated versions of the Framework.

This Green Bonds Framework is consistent with the International Capital Markets Association (ICMA) Green Bond Principles 2021. The green bonds framework can be further updated and expanded in line with the development of the securities market, market practices and regulatory environment and the evolution of international and national standards.

The Bank is committed to maintaining the growth and integrity of the sustainable finance market. Sberbank being the largest bank of Russia expects that the development of green lending and financing instruments will inevitably influence the development of the national green finance market.

The risk management system in Sberbank allows (1) to adequately assess all significant risks of green loans, including those related to climate and other factors, and (2) to take these risks.

¹ Read more in the ESG Strategy section of the 2020 Annual Report, page 231:

https://www.sberbank.ru/common/img/uploaded/_new_site/com/gosa2021/yr-sber-ar20-rus.pdf?_ga=2.128743630.333986368.1623250631-144295459.1623250631

² https://www.sberbank.com/common/img/uploaded/files/pdf/normative_docs/sber_esg_policy_rus.pdf

1. Intended use of funds

Modern technology enables the Bank's customers to carry out activities that contribute to the well-being of society and the environment while generating a steady stream of cash flow. In order to promote the business development of such customers, the Bank is motivated to increase the green loans portfolio which contribute to the solution of the environmental problems of the society.

All funds raised through the green bonds offering will be used to replenish the funds allocated for disbursing loans to finance projects that meet the criteria listed below and can produce additional positive environmental effects measurable in quantitative and qualitative terms.

Initially the green bonds issues will fund projects that are in line with UN Sustainable Development Goal (SDG) No. 7: Ensure access to affordable, reliable, sustainable and modern energy for all. This SDG is one of the priorities for Sberbank in accordance with the ESG Policy.

2. Criteria for green projects

Sberbank recognizes the key role of defining criteria for green projects in the process of developing green finance practices and has created its own taxonomy, which takes into account Russian and foreign approaches and developments. According to Sberbank's taxonomy, green loans are investment lending/project finance transactions that simultaneously meet the following conditions:

- 1) The use of funds is capital expenditures necessary to implement a green project, including but not limited to the purchase of fixed assets
- 2) Any operating expenses are directly related to the implementation and support of the green project. At the same time, the amount of G&A and commercial expenses should be limited to 15% of the total amount of provided funds.

Green loans should be used for the implementation of green projects, namely, improving the environment, reducing emissions and discharges of pollutants, reducing greenhouse gas emissions, energy conservation and improved efficiency of natural resource utilization, adaptation of the economy to climate change by the construction of generating facilities operating on renewable energy sources, including solar and (or) wind.

For the purposes of issuing green bonds, the loan, which is being funded by proceeds from green bonds issuance, can only be a loan containing a requirement (in the form of variable interest rate and [or] covenants) to put into operation an energy facility whose energy comes from renewable sources (wind and solar energy).

The qualitative criterion for a project is the source of energy generation (solar and [or] wind).

The quantitative criterion for a project is the full planned capacity of the power plant to be commissioned as part of the project.

Information about changes in the green project criteria, if any, will be disclosed by the Sberbank.

3. Pre-evaluation and selection of projects

In order to ensure transparency of the criteria and the process of evaluating and selecting projects financed with funds raised through the issuance of green bonds, Sberbank establishes and discloses the fulfillment by such projects of the following criteria:

- 1) The project has risk level that is substantial in accordance with Sberbank's internal documents on social, environmental and corporate governance risk management of the Group

2) The project meets the criteria for green projects as defined in this Framework

A generalized procedure for selecting green projects by the Bank can be described as follows:

- A loan is disbursed in accordance with the Bank's general lending procedures for project financing. The potential green loan borrower is asked for information about the goals and targets of the use of funds.
- The loan can be recognized as green if both of the following conditions are met:
 - The loan meets the criteria for green loans
 - The internal structural unit of the Bank (ESG Directorate) confirms that this is a green loan
- Once marked as a green loan, it can be selected for a green bond offering to replenish the Bank's funds used to finance eligible green projects.

Based on the potential investor demand, the Treasury of the Bank draws up a register of projects, the funds for which are replenished through the issuance of green bonds (hereinafter, the Register of Green Projects).

4. Managing the register of issued green bonds

The Bank may issue green bonds in the form of separate issues, including as part of a bond program. The Bank's green bonds may be admitted to organized trading or traded in the OTC market.

The Bank maintains a register of issued green bonds (hereinafter, the Register of Green Bonds) in order to account for the use of funds raised through the placement of green bonds. The Register of Green Bonds is regularly updated by the responsible officers of the Bank. The Bank intends to maintain the aggregate amount of projects financed through green bond offerings at no less than the aggregate nominal value of the outstanding green bonds. The Register of Green Bonds will contain information sufficient for identifying each green bond issue.

At times when the nominal value of outstanding green bonds exceeds the value of projects financed through green bond offerings, the amount of such excess is placed in the Bank's liquidity management instruments.

The Bank's respective divisions confirm the intended use of borrowed funds on the projects financed by the loans included in the Register of Green Projects and monitor the borrower's compliance with the terms and conditions of these loans. If it becomes known that the borrower has violated covenants leading to an event of default under the loans included in the Register of Green Projects, and if the Bank decides to exercise its rights following the provisions of the events of default, the loan is excluded from the Register of Green Projects.

During the quarter following the repayment of the outstanding loan included in the Register of Green Projects, or the removal of the loan from the Register of Green Projects, the Bank replaces the loan with another eligible one, so that the aggregate amount of the loans included in the Register of Green Projects is not less than the total nominal value of the outstanding green bonds. If replacing the loan is impossible, the Bank performs partial early redemption of the green bonds issue subject to the provisions of the bonds issue.

5. Reporting

Information openness and transparency is one of the key principles of Sberbank enshrined in the ESG Policy. The Bank publishes annual non-financial statements as part of its annual reports. These statements disclose information about green projects, the funds for which are replenished through green bond issues (report on the placement of funds raised through green bond issues).

In each report, the Bank discloses project data in accordance with law and regulations of the Bank of Russia and the stock exchange listing the green bonds.

6. External evaluation

Sberbank may engage an external verifier to conduct an independent evaluation of the Green Bond Framework, green bond issues, loans, the funds for which are supplied through green bond issuance, and reporting on the use of green bond proceeds. The independent opinion of the external verifier is published on the official website of Sberbank.

**Approved by Chief Executive Officer, Chairman of the Executive Board of SberBank
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