

## Green Bond / Green Bond Programme

### Independent External Review Form

#### Section 1. Basic Information

**Issuer name:** LLC "SFC RuSol 1"

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:** Green Bond Framework (officially named as "The policy in the sphere of green financing")

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

**Completion date of this form:** 19.03.2020

**Publication date of review publication:** 19.03.2020

#### 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 (please specify):         |   |

*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/SFC\\_RuSol\\_1\\_SO\\_Report\\_05.02.2020.pdf](https://raexpert.eu/files/SFC_RuSol_1_SO_Report_05.02.2020.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 the Group's GBF, the equivalent amount of proceeds from this bond issuance will be used for financing and refinancing the projects, related to the production of electrical energy from renewable sources (mostly solar energy). These types of projects, in our opinion, fall under the following GBP 2018 category of eligible Green Projects: **Renewable energy**.

The Group has also confirmed that with the equivalent amount of the funds from this specific bond issuance (registration numbers: 6-01-00514-R, 6-02-00514-R, 6-03-00514-R), it is planning to finance (refinance) the following projects (but not limited to):

1. Zavodskaya SPP;
2. Promstroyaterialy SPP;
3. Samarskaya SPP 2;
4. Staromariievskaya SPP;
5. Kalmykskaya SPP 1;
6. Volgogradskaya SPP 1;
7. Oktyabrskaya SPP;
8. Peschanaya SPP.

#### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input 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 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 Group's GBF, the process is determined as internal verification of eligible projects for compliance with the established criteria:

- Acquisition, construction and operation of the solar energy projects
- Development, construction or production of components for renewable energy projects
- Eligible green projects can be selected from the list of the Developer's projects (including any subsidiaries and joint ventures)
- Eligible green projects should have established quantitative targets, such as reduction of CO2 emission and / or generating electricity from renewable sources
- The Group can consider refinancing of the Developer's investments or bank financing carried out 3 years before the date of placement of green bonds as the eligible green projects

The internal verification shall be performed by the representatives of the business development department, the financial department and the sustainable development department. In addition, for each eligible project the Group\the Developer will verify the compliance with local regulations in relation to the environmental and social risks. Moreover, the Group's\the Developer's employees from the technical/engineering and financial departments have deep expertise and experience in the SPPs construction and management, and therefore can perform the analysis of the eligible green projects on a proper basis.

In our view, the process followed by the Group and the Developer complies with market expectations and local best practices. However, the described procedure of eligible projects' evaluation and selection has some room for improvement, namely (1) creation of the collegial body responsible for the evaluation and selection of projects with a clear description of the processes in a separate internal regulation (2) assignment of a separate ecological officer or internal ecological auditor with the duties related to the evaluation and selection of projects in order to avoid any conflicts of interests (3) implementation of quantitative targets for the evaluation and selection of projects.

### Evaluation and selection

- |  |  |
|--|--|
| <input type="checkbox"/> Credentials on the issuer's environmental sustainability objectives                       | <input 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 (please specify):   |

### 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 (please specify):  |   |

### 3. MANAGEMENT OF PROCEEDS

**Overall comment on section** *(if applicable):*

The management of proceeds is characterized by handling the funds through a separate account (“special pledge account”) of the SPV, which is completely independent from the Group and is obliged to manage and control all cash flows from the issue, including compliance with the GBF, bond prospectus and MOEX listing rules for green bonds.

The Group has also clearly disclosed that the funds unallocated at the moment of the issuance, will be temporarily kept on the SPV’s accounts or on the accounts of the Group, until the moment when they can be fully allocated to the eligible green projects, which satisfy the internal criteria of the Group.

The SPV holder – Trewetch Management – has deep experience in structured financing on the Russian financial market and, therefore, can be considered as a reliable company to control the proceeds.

The accounting of cash from the green bonds proceeds will be performed by the “Issue Agent” (represented by PJSC Sovcombank ), which can be considered as an additional mean of control. The Bank is well aware of green bonds principles and practices. In particular, in September 2019 the Bank becomes the first among Russian banks signatory of the “Principles of Responsible Banking” of the Financial Initiative of the United Nations Environment Program (UNEP FI) . Therefore, we consider the involvement of the Bank in the bonds issuance as a positive factor. Also, according to the current regulation of the Russian financial market, for this specific bond issue, the disposal of the funds will be carried out under the supervision of a special institution called the “Representative of Bond Owners” (RBO) (represented by the Joint-stock company “Transingroup” Asset Management ), which has to supervise the allocation of funds in relation to the bond holders’ interests. Both organizations can be considered as reliable for the additional control under the proceeds allocation.

The distribution of bonds proceeds between the entities, belonging to the Developer, will be monitored and controlled by the Group’s management.

An additional control under the management of proceeds will be supported by the issuer’s and the Group’s internal policies, including the GBF, current listing rules of MOEX (including rules for the “sustainability sector”), as well as general rules and procedures of investors’ protection in the Russian Federation.

To summarize, there are several “lines of defence” for managing the bond’s proceeds and their allocation, represented by the external independent institutions (including, issuer itself (SPV holder) and RBO) which creates a solid ground for the allocation of funds specifically to the eligible green projects.

We consider that the management of proceeds is in line with the GBF 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:**

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only            | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |

- Disclosure of portfolio balance of unallocated proceeds  Other (please specify):

#### 4. REPORTING

##### Overall comment on section (if applicable):

The Group confirmed that it is planning to report both on (1) Use of proceeds and (2) Environmental impact. The reporting is planned to be published by the Group at least annually and until the moment when an amount equivalent to the total volume of proceeds from the green bond issuance is completely invested in the eligible green projects, or in case of any significant changes. The Group is planning to publish the information on the distribution of the funds on its website and in the Sustainable Development Reports. These reports will include at least the following information:

1. List of approved eligible green projects financed through the green bonds proceeds, including the allocated amounts and full description of the legal entities related to the projects;
2. The balance of the unallocated amount of the net value of green bonds proceeds.

The Group is also committed to publish additional information, case studies or examples of individual projects, to the extent it is necessary and taking into account confidentiality considerations. Environmental impact reports and specific environmental impact indicators will be published by the Group for each eligible project or for the Developer's eligible projects, financed through the green bonds proceeds.

These reports will include at least the following information:

1. Electricity generated from renewable sources (kWh);
2. Reduction/prevention of greenhouse gas emissions (tons of CO<sub>2</sub>).

Therefore, we consider that the described procedure of reporting is in line with the GBP 2018. However, we see the room for improvement, namely: (1) additional external verification of the Use of proceeds and Environmental impact reporting performed by independent experienced company.

##### Use of proceeds reporting:

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

##### Information reported:

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

##### Frequency:

- Annual  Semi-annual  
 Other (please specify):

##### Impact reporting:

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

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Other ESG indicators (please specify):
- Electricity generated from renewable sources (kWh);

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
 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 issuer's web-site:

<http://www.sfo-rusol-1.ru/>

The issuer's GBF and SO:

<http://www.sfo-rusol-1.ru/vo>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Second Party Opinion  Certification  
 Verification  Scoring/Rating  
 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.