



# SUSTAINABILITY REPORT

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2019



Engaging people to create value  
for our country



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## CEO Statement



### Dear colleagues and partners,

I am pleased to present our first sustainability report of Garant-Invest Commercial Real Estate (JSC) that is prepared according to international guidelines. The report represents the Company's achievements in sustainability principles integration. We commit to continuous improvement in this pathway. In 2019 we already revised our approach to integrate a fully centralized sustainability management.


We have accumulated a valuable experience in social responsibility, natural resources management as well as in infrastructure development throughout 26 years of our operational activity which is now successfully assembled in Sustainability Strategy, which reflects the Company's approach to sustainability topics as well as meets changing expectations of our stakeholders. Performance of Garant-Invest Commercial Real Estate (JSC) as a socially oriented company is based on the principles of social responsibility as well as responsible investment principles. In 2019, we issued our first RUB 500 million green bonds. The issue is included in the green bond segment of the Sustainability Sector of Moscow Stock Exchange, created to finance environmentally and socially oriented projects.

Proceeds from the issue of green bonds are used to renovate shopping and mixed-use centers by introducing energy-saving and environmentally friendly technologies within our investment Program RE. As a responsible developer and investor we integrate best available technologies at the renovated portfolio assets, which increase the resources efficiency of buildings' operational activities, as well as reduce environmental footprint.

Today, the Company's portfolio consists of 13 modern shopping and mixed-use centers with 37 million annual footfall. Stakeholders recognize the influence of the development projects on both urban infrastructure and local community's well-being. It is our priority as a developer to ensure the benefit to all impacted parties by our corporate existence.

We recognize that our assets represent social activity spots with high environmental footprint as well as key elements of urban infrastructure. Therefore, our Sustainability Strategy is based on environmental, social and corporate governance (ESG) aspects of our operational activities. We strive to take into account interests of all our stakeholders: local communities, visitors, tenants, business partners and local government.

We actively continue our social activity, so in 2019 we have created and introduced corporate social responsibility (CSR) policy to enhance our performance. We strive to ensure our positive impact on all priority issues defined in the CSR policy. We ensure continuous sustainable development of the Company by respecting and promoting business traditions, reducing environmental footprint and enhancing social impact on local communities.



Aleksey Panfilov,  
CEO of Garant-Invest  
Commercial Real Estate (JSC)

# About the company

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## About the company

Garant-Invest Commercial Real Estate (JSC) is a commercial real estate company based in Russia. It owns and operates modern shopping and mixed-use centers with high footfall in Moscow and Moscow region.

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### Key performance indicators

#### Operational performance

Revenue in 2019

**2,874** million RUB

Footfall per year

**37** million people

Tenants

**430**

10+ years lease  
contracts

**55%**

Lease contracts with  
multi-store retail companies  
and chain restaurants

**86%**

Vacancy rate as of  
December 31, 2019

**3.6%**

## Real estate portfolio

Gross market  
value

**26.5** billion RUB

Real estate development  
projects completed

**18**

Owned  
buildings

**15**

Including shopping  
centers

**13**

## Resource efficiency

Electricity consumption

**31,238** MW\*h

Heat consumption

**11,151** Gcal

## Social activities

Turnover

**5.6%**

Social events organized

**72**

Active  
participants

**23,019**

Social activities  
expenditure

**3.4** million RUB



## History

Garant-Invest Group celebrates its foundation day on November 12, the day of receiving the banking license by Garant-Invest Bank in 1993.

### November 12, 1993

The Central Bank of the Russian Federation issued a banking license to Garant-Invest Bank

### 1990s

Garant-Invest Bank is a parent company and a founder of Garant-Invest Group.

Financing start-up projects in food production, real estate, retail and catering

### 2003

Establishment of Garant-Invest Management Company (LLC)

Opening of Airport Gallery Shopping Center

"Convenience Store" award winner

Opening of the first convenience store at 46a Borisovsky proezd

### 2004

Airport Gallery Shopping Center was the first winner of CRE Awards in "Small Shopping Center" category

Airport Gallery Shopping Center is the winner of "The Best Investment and Construction Project Completed" contest held by Moscow Government

### 2005

Opening of Retail Park Shopping Center

Opening of neighbourhood shopping centers at 2a Proletarsky proezd and 62a Shipilovskaya street

Garant-Invest Bank was awarded the National Banking Award "For Good Achievement in Investment Activity and Real Estate Market Development"

### 2006

Retail Park Shopping Center is the winner of "The Best Investment and Construction Project Completed" contest held by Moscow Government

Opening of Kolomensky Shopping Center

### 2007

Opening of Prazhsky Grad Shopping & Restaurant Center

Garant-Invest Bank was awarded the Golden Star "Financial Glory of Russia"

## 2008

Opening of Tulskey Mixed-use Center

Tulskey Mixed-use Center was granted the title “Russian Shopping Center - 2008” in the Mixed Use category

Garant-Invest Bank received the diploma by the Association of Russian Banks (ARB) – “Winner of the Russian National Banking Festival»

## 2009

Establishment of Garant-Invest Commercial Real Estate (JSC)

Establishment of Garant-Invest Group (JSC), a parent company

Establishment of Garant-Invest Development (LLC)

Garant-Invest Bank was awarded the National Banking Award

## 2012

Airport Gallery Shopping Center was granted the title “The Best Shopping Center in Russia” in “Operating Shopping Center” category

## 2014

Opening of Moskvorechie Shopping and Entertainment Center

Opening of “Parkweek”, the first entertainment center for kids in Moskvorechie Shopping and Entertainment Center

## 2015

Moskvorechie Shopping and Entertainment Center is the winner of CRE Awards in “Small Shopping Center” category

## 2017

Garant-Invest Group presented “Program RE”, a new investment program

First bonds placement by Garant-Invest Commercial Real Estate (JSC)

Launch of the “Small”-Branded Neighbourhood Shopping Centers

## 2018

Karamel Shopping Center was acquired with further renovation and renaming to PEROVO MALL Shopping and Entertainment Center

Garant-Invest Bank obtained a depository license.

## 2019

Garant-Invest Group and Tula region entered into the cooperation agreement

Garant-Invest Group acquired a neighbourhood shopping center at Kashirskoye highway

Garant-Invest Commercial Real Estate (JSC) placed its first green bonds with a volume of 500 million roubles

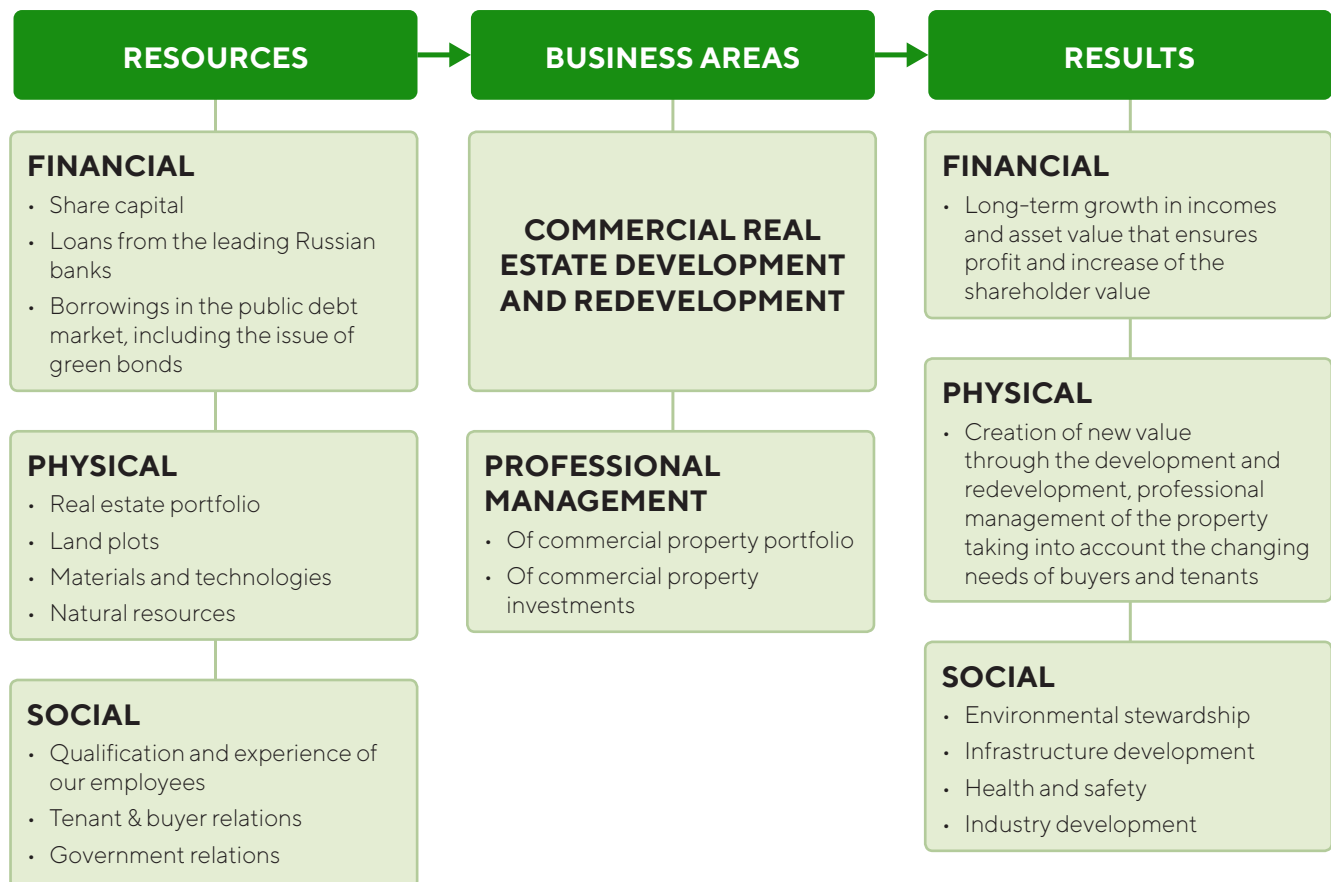
Garant-Invest Group completed the renovation of PEROVO MALL Shopping and Entertainment Center

Garant-Invest Commercial Real Estate (JSC) purchased a commercial real estate building

## Business model

**1** By generating economic value using a wide range of financial, physical and social resources we continue our activity in construction of real estate assets, lease and manage real estate property, purchase new assets and sell it.

**2** We strive to be a sustainable business by forecasting and meeting the changing needs of our customers, buyers, tenants, partners, employees, other stakeholders, and society as a whole.



## Competitive advantages

### Operational business

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- The consumer sector is one of the most sustainable and fast growing, especially in metropolises;
- 17 years of successful commercial real estate development experience and long-term partnership with Russian and foreign retailers;
- diversified assets' portfolio with minimal vacancy rates (3.6% as of December 31, 2019) and rent rates higher than the market average;
- focus on Moscow market and its most dynamic and sustainable sector of retail property;
- intense footfall;
- guaranteed steady cash flow and successful investment program;
- low operational risks per tenant;
- professional assets' management: high level of competencies in property management, estate development and corporate debt management.

### Credit quality

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- Transparent structure of ownership;
- the debt is secured by real estate and sustainable income;
- 26 years of impeccable credit history and goodwill;
- refinanced bank loans with maturity dates in 2027–2029 (and options of extending until 2030–2040);

### Promoting sustainability principles

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- Integration of Sustainability Strategy of Garant-Invest Commercial Real Estate (JSC);
- first Russian green bond placement in real estate sector in December 2019;
- BREEAM certification of Tulsky Mixed-use Center;
- introduction of green technologies throughout the existence of Garant-Invest Commercial Real Estate (JSC).

### Location of our assets

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- Easily accessible by Moscow metro stations;
- a unique location of one of our assets directly above the sub-surface metro station and tunnels;
- our assets are bounded by major and federal highways;
- accessibility by public transport;
- our assets are located in residential areas with high development activity.

## Portfolio

### Airport Gallery Shopping Center



**Revenue** 795,313 thousand RUB

Market value 7,833,000 thousand RUB

Total area 12,000 m<sup>2</sup>

Shopping floors 3

**Footfall** 12+ million people per year

#### Energy efficiency:

- Use of frequency controllers in the engineering equipment
- HVAC's operation and control systems optimization
- Lighting optimization

For more details, see pages 56–58

Airport Gallery Shopping Center is located at Leningradsky prospect, Moscow and features more than 70 stores, 8 restaurants and coffee bars.

It is noted as one of the best shopping centers in Moscow. Airport Gallery Shopping Center is the winner of prestigious awards, including the Best Shopping Center in Russia 2003, the Best Investment and Construction Project Completed in Moscow 2004, and the Best Operating Shopping Center 2004.



## Moskvorechie Shopping and Entertainment Center



<b>Revenue</b>	<b>694,606 thousand RUB</b>
Market value	6,586,000 thousand RUB
Total area	30,000 m <sup>2</sup>
Shopping floors	3
<b>Footfall</b>	<b>8 million people per year</b>

### Energy efficiency:

- Engineering systems' control and automation
- Indoor and outdoor lighting control and optimization
- Heat loss reduction by using energy-efficient materials

For more details, see pages 56–58

Moskvorechie Shopping and Entertainment Center is a modern shopping center located by Kashirskaya metro station and bounded by Kashirskoye highway. Moskvorechie Shopping and Entertainment Center was honored the prize of CRE Awards as the Best Shopping Center in Russia 2015.

## Tulsky Mixed-use Center



**Revenue** 378,296 thousand RUB

Market value 3,210,000 thousand RUB

Total area 13,300 m<sup>2</sup>

Total floors 6

Shopping floors 2

**Footfall** 2 million people per year

### Energy efficiency:

- Lighting optimization
- Energy-efficient hand dryers
- Reduction of chiller power consumption
- Automatic coolant temperature control in heating systems

For more details, see pages 56–58

Tulsky Mixed-use Center is a modern mixed-use center that successfully combines a class A office center, a spacious shopping gallery, popular restaurants and coffee bars, as well as a unique event zone. Mixed-use Center features the Russian headquarters of well-known foreign companies, such as Panasonic, LEDVANCE, Infobip, Elliott Group, De Fonseca, and E-COM. Tulsky Mixed-use Center was the winner of the Russian Council of Shopping Centers (RCSC) rating in the Mixed-Use category in 2009. Tulsky Mixed-use Center is an official partner of Tula region in promoting its tourism opportunities.



## Retail Park Shopping Center



<b>Revenue</b>	<b>559,085 thousand RUB</b>
Market value	4,300,000 thousand RUB
Total area	47,000 m <sup>2</sup>
Shopping floors	2
<b>Footfall</b>	<b>5.9 million people per year</b>

### Energy efficiency:

- Automation and centralized control of engineering systems
- Heat recovery ventilation systems

For more details, see pages 56–58

It is the first shopping center of Retail Park format in Russia. Main spaces in it are occupied by major stores. The shopping center features the stores of well-known global brands: AUCHAN, OBI, Adidas, Familia, and 4 restaurants and coffee bars. Retail Park Shopping Center has many awards; among other titles, it is the winner of the “Best Shopping Center of Moscow” contest.

May 2019: opening of a major retail store by a Russian representative of Kari on the second floor of the shopping center.

July 2019: refurbishment of the “Park of Miracles” adventure playground completed; some more slides were installed for kids.

Public transport accessibility has been improved in December 2019 when a new section of Dorozhnaya Street was launched as a part of Yuzhnaya Rokada (Southern Belt Road) project.

## PEROVO MALL Shopping and Entertainment Center



**Revenue** 114,141 thousand RUB

Market value 939,138 thousand RUB

Total area 13,500 m<sup>2</sup>

Total floors 6

Shopping floors 3

**Footfall** 2 million people per year

### Energy efficiency:

- IHP (individual heating plant) partly automated
- Indoor lighting system optimization
- Use of energy-efficient facade glazing

For more details, see pages 56–58

The family-oriented shopping and entertainment center, which was acquired at the end of 2017 followed by two stages of renovation – in 2018 and 2019, with 47 % increase of leasable area.

Top-of-the-line shopping and entertainment center in Novogireevo and Perovo districts is located on the red line of Perovskaya street, surrounded by a large-scale residential development, features convenience stores for everyday shopping. The shopping and entertainment center also features stores and services of Russian and foreign brands, a 24/7 fitness club, a family entertainment center, and Moscow Longevity club.



## Kolomensky Shopping Center



<b>Revenue</b>	<b>172,935 thousand RUB</b>
Market value	1,654,000 thousand RUB
Total area	3,200 m <sup>2</sup>
Shopping floors	2
<b>Footfall</b>	<b>2.9 million people per year</b>

### Energy efficiency:

- Improved thermal insulation of engineering systems
- Lighting system optimization
- Touchless faucets and flushing systems installed

For more details, see pages 56–58

A modern local shopping center, located by Kolomenskaya metro station in the residential area. The center features stores of convenience goods and services.

The shopping center also features popular stores, a supermarket, service providers, as well as restaurants and coffee bars. The shopping center is popular for everyday shopping and well accessible by public transport.

## Prazhsky Grad Shopping&Restaurant Center



**Revenue** 83,382 thousand RUB

Market value 692,000 thousand RUB

Total area 3,000 m<sup>2</sup>

Shopping floors 3

**Footfall** 1.5 million people per year

### Energy efficiency:

- HVAC systems optimization

For more details, see pages 56–58

A unique modern Shopping&Restaurant Center located by Prazhskaya metro station.

Prazhsky Grad Shopping&Restaurant Center is a shopping center with a restaurant area that combines various restaurants and coffee bars which gives the local residents an opportunity to enjoy various cuisines at the same place in a modern and easily accessible location. The shopping center features 6 different concepts of food services, a summer terrace, as well as a supermarket.



## Neighbourhood Shopping Centers “Small”



Revenue	150,017 thousand RUB
Market value	1,358,534 thousand RUB
Total area	5,682.6 m <sup>2</sup>
Footfall	1.7 million people per year

### Energy efficiency:

- Lighting system optimization

For more details, see pages 56–58

“Small” is a group of residential shopping centers and represents small shopping centers under a single brand that features convenience goods and services stores. Such centers are usually located in densely populated residential areas or areas under development stage, along major highways, nearby metro stations and public transport infrastructure. Local shopping centers feature supermarkets or express stores, restaurants and coffee bars, pharmacies, consumer service centers, dry cleaners, convenience stores, mobile phone outlets, etc.

### Six owned shopping centers:

Small Proletarsky • Small Biryulevsky • Small Chernomorsky • Small Shipilovsky • Small Borisovsky • Small Kashirsky

# Our approach to sustainability

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ОМ ПЛЕКС  
ТУЛЬСКИЙ  
ПЛАТМО



КОМПЛЕКС  
ТУЛЬСКИЙ



# Our approach to sustainability

**Garant-Invest Commercial Real Estate (JSC) defines sustainability aspects as the philosophy of long-term and sustainable development of the Company, which helps to integrate a successful business with the universal human values and priorities of national development.**

The Company correlates its business goals with public interests, as well as takes into account environmental, social and governance (ESG) factors. Garant-Invest Commercial Real Estate (JSC) is gradually transforming into a public company, promoting sustainability principles.



## SUSTAINABILITY PRINCIPLES OF GARANT-INVEST COMMERCIAL REAL ESTATE (JSC)

- 1 Positive contribution to the well-being through innovative business development and use of green technologies

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- 2 Occupational health and safety provision and investment in human capital development

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- 3 Environmental stewardship and environmental footprint reduction

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- 4 Efficient investment activity related to the real estate development projects aimed at improving the competitiveness of Garant-Invest Commercial Real Estate (JSC) in business and economic interests

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- 5 Consideration of stakeholders' interest and a systematic approach to building long-term win-win partnerships based on business ethics

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- 6 Contribution to the well-being and development of the areas in which Company operates

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- 7 Public transparency and non-financial reporting

## Our sustainability journey

Garant-Invest Commercial Real Estate (JSC) is gradually transforming into a public company; it strives to meet the best sustainability practices. Prerequisites for the building of a Sustainability Strategy are as follows:

- a mixed-use / shopping center is a facility with a high level of resource consumption, and a high level of waste generation;
- a mixed-use / shopping center ensures employment and is a place of business activity;
- a mixed-use / shopping center is a socially significant facility with a high footfall.

The company has been implementing certain sustainability principles in its operational activities for 17 years. In 2019, we decided to revise our approach in favour of a centralized approach to the management of existing practices and actively develop fundamentally new areas of sustainability in a manner that will ensure full compliance of activity with the applicable legislation and global best practices.

We have already started extensive work to improve our management processes in such areas as environmental stewardship, stakeholder engagement, supply

chain management, and responsible investment.

As part of this work, the Company has updated a number of corporate documents, and introduced new policies and regulations aimed at the optimization of sustainability management.

In 2019, we integrated the sustainability principles into the Corporate Strategy of Garant-Invest Commercial Real Estate (JSC) for 2020–2024, as well as developed a separate Sustainability Strategy of Garant-Invest Commercial Real Estate (JSC).

As a part of the integration of sustainability principles into the Company's operations, we have developed the Corporate Social Responsibility Policy of Garant-Invest Commercial Real Estate (JSC), and updated the following policies:

- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Risk Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Information Policy of Garant-Invest Commercial Real Estate (JSC).

### We have also revised other corporate documents that regulate the Company's day-to-day operations:

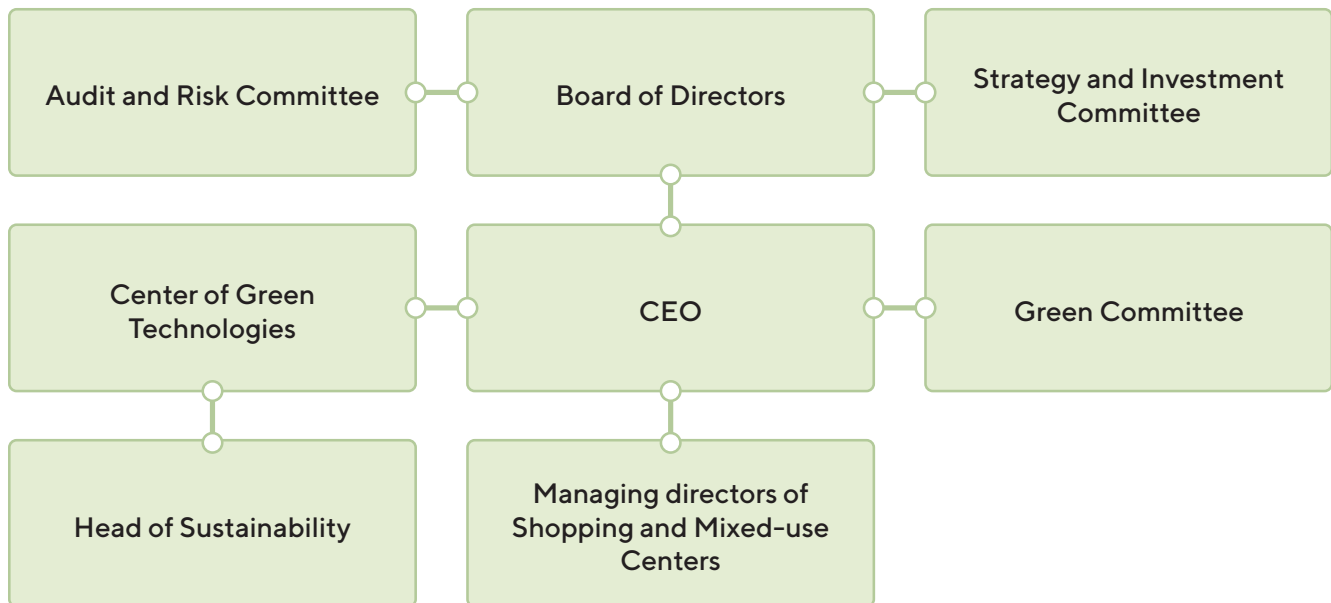
- Investment Program of Garant-Invest Commercial Real Estate (JSC);
- Lease Relations Procedure in Garant-Invest Commercial Real Estate (JSC);
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Strategy and Investment Committee of Garant-Invest Commercial Real Estate Joint Stock Company;
- Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC).

## Sustainability governance structure

In 2019, the sustainability governance structure was optimized. For example, for the first time in 17 years, the Company established a division, Center of Green Technologies, intended to both manage existing practices and develop new areas of activities.

Now, the Board of Directors of Garant-Invest Commercial Real Estate (JSC) and the Green Committee, an advisory body introduced to manage sustainability issues, regularly review issues related to the Company's sustainability practices.

### Sustainability governance structure



Governance bodies of Garant-Invest Commercial Real Estate (JSC) regularly address environmental and sustainability issues. Relevant rules are set out in the Regulations on the Board of Directors, the Regulations on Strategy and Investment Committee, the Corporate Governance Code, the Regulations on Green Committee and other regulatory documents.

## Responsibilities of the Board of Directors:

- setting strategic goals, including environmental issues resolution, and evaluation of the efficiency of investments, determination of main business targets and priorities of the Company's development;
- addressing the issues related to the Company's Sustainability Strategy on the regular basis;
- making, monitoring and control over the Company's corporate governance system performance and ensuring its development;
- making the Company's values and their observance follow-up;
- determination of the principles and approaches to the risk management and internal control system;
- supervision over the activities of the sole executive body of the Company, including compliance of such activities with the Company's development strategy approved by the Board of Directors;
- building the Company's policy in the fields of ecology, risk management, conflict of interest management, human capital, incentives and remuneration of members of the Board of Directors, executive bodies and other senior officials of the Company;
- supervision over the financial and economic activities of the Company;
- ensuring the transparency of the Company's activities through timely and full reporting, provision of easy access of shareholders to the Company's documents.

Green Committee of Garant-Invest Commercial Real Estate (JSC) is an advisory body forming an integral part of the Company's governance system. The Committee is guided by laws and other regulations of the Russian Federation, laws and other regulations of constituent entities of the Russian Federation in environment and green technologies, recommendations of international environmental organizations, and local regulations of the Company.

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### Green Committee's functions:

- 1** Development, coordination and approval of internal procedures, based on which the Company determines the compliance of projects with the requirements of Green Bond Principles

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- 2** Review of proposals from responsible employees, external consultants and other parties on financing projects by using proceeds from the issue of green bonds

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- 3** Drawing up conclusions on recognition of projects that meet the requirements of Green Bond Principles

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- 4** Interaction with managers and experts of the Company and its subsidiaries in the implementation of measures aimed at reducing negative impact on the ambient and urban environment (green technologies)

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- 5** Development, coordination and approval of the Company's reporting procedures to investors and stakeholders

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- 6** Preliminary review of reports, results of inspections and examinations, making recommendations to the management for their approval

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- 7** Review of draft local regulations in the field of ecology, environmental stewardship and the use of green technologies

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- 8** Preparation and submission of proposals to the management to improve activities in terms of minimizing the negative environmental footprint and improving the efficiency of green technologies implementation

Center of Green Technologies is a division of Garant-Invest Commercial Real Estate (JSC) headed by the Head of Sustainability subordinated to the Company's CEO.

### Center of Green Technologies' functions:

- 1** In-house auditing of day-to-day engineering, ecological and social activities of the Garant-Invest Commercial Real Estate (JSC) assets
- 2** Determination of key areas for the green technologies implementation in the assets of Garant-Invest Commercial Real Estate (JSC)
- 3** Development of green technologies criteria
- 4** Development, approval and endorsement of the in-house procedures for checking the projects compliance with the requirements of Green Bond Principles
- 5** Drafting conclusions on recognition of the projects' compliance with the requirements of Green Bond Principles
- 6** Development of the green technologies implementation projects for Garant-Invest Commercial Real Estate (JSC) and its subsidiaries, and their follow-up
- 7** Drawing up annual sustainability reports
- 8** Assistance in sourcing and contracting agents / vendors / partners for green technologies implementation
- 9** Ensuring transparency of the green technology agents / vendors / partners sourcing
- 10** Making criteria for the green technology agents / vendors / partners selection

## Sustainability document framework

Garant-Invest Commercial Real Estate (JSC) has a number of internal corporate documents that regulate its activities in the field of sustainability.

The company is steadily implementing a sustainability management system in its operations. For this purpose, we updated the following documents in 2019:

- Corporate Strategy of Garant-Invest Commercial Real Estate (JSC) for 2020–2024;
- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Risk Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Investment Program of Garant-Invest Commercial Real Estate (JSC);
- Lease Relations Procedure in Garant-Invest Commercial Real Estate (JSC);
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Strategy and Investment Committee of Garant-Invest Commercial Real Estate Joint Stock Company;
- Information Policy of Garant-Invest Commercial Real Estate (JSC);
- Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC);
- Order on Members and Operation of Green Committee of Garant-Invest Commercial Real Estate (JSC);
- Order on the Appointment of Responsible Employees for Procurement in Garant-Invest Commercial Real Estate (JSC)

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Corporate strategies of the Company set development trend for the activity of Garant-Invest Commercial Real Estate (JSC) and determine the key areas of activity.

The policies and codes of Garant-Invest Commercial Real Estate (JSC) establish a unified approach to the sustainability management for all commercial real estate projects.

Special attention is paid to working with contractors and the procurement procedures. In order to standardize the approach, the Company has developed and implemented the following documents: Green Procedures of Garant-Invest Commercial Real Estate (JSC) and the Green procurement procedures in Garant-Invest Commercial Real Estate (JSC).

Regulations and procedures are narrowly targeted documents that establish an approach to managing certain aspects of sustainability.



## KEY DOCUMENTS RELATED TO SUSTAINABILITY

<b>Corporate strategies</b>	Sustainability Strategy of Garant-Invest Commercial Real Estate (JSC)
	Corporate Strategy of Garant-Invest Commercial Real Estate (JSC) for 2020-2024
<b>Polices and codes</b>	Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC)
	Anti-bribery and Corruption Policy of Garant-Invest Commercial Real Estate (JSC)
	Risk Management Policy of Garant-Invest Commercial Real Estate (JSC)
	Financial Policy of Garant-Invest Commercial Real Estate (JSC)
	Corporate Social Responsibility Policy of Garant-Invest Commercial Real Estate (JSC)
	Information Policy of Garant-Invest Commercial Real Estate (JSC)
<b>Regulations and procedures</b>	Regulation on Green Committee of Garant-Invest Commercial Real Estate (JSC)
	Regulation on Strategy and Investment Committee of Garant-Invest Commercial Real Estate (JSC)
	Regulation on Audit and Risks Committee of Garant-Invest Commercial Real Estate (JSC)
	Regulation on Human Capital and Remuneration Committee of Garant-Invest Commercial Real Estate (JSC)
	Regulation on the System of Remuneration and Incentives of Employees of Garant-Invest Commercial Real Estate (JSC)
	Lease Relations Procedure in Garant-Invest Commercial Real Estate (JSC)
	Green procurement procedures in Garant-Invest Commercial Real Estate (JSC)
	Green Procedures of Garant-Invest Commercial Real Estate (JSC)
<b>Other corporate documents</b>	Investment Program of Garant-Invest Commercial Real Estate (JSC)
	Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC)

## Our sustainability priorities

### Environmental stewardship

The Company's assets constantly monitor the environmental efficiency of its operational activities. Green technologies are studied and implemented, energy-saving activities are performed, equipment is upgraded, and environmental monitoring is regularly carried out at the property facilities.

### Social responsibility

Taking care of our employees and their families is part of the Company's policy aimed at achieving high standards of quality of life in accordance with the sustainability principles. As a socially responsible employer, Garant-Invest Commercial Real Estate (JSC) recognizes the importance of the employment's role in ensuring the social and economic development of local communities.

We strive to turn our shopping centers not only into places for a positive shopping experience, but also into the centers of social life for locals of the city's districts. We focus on commercial real estate, and are well aware of the interests of visitors and tenants. The Company's investments make a significant contribution into building a favourable and comfortable social environment in the areas where the company operates. The investments are made based on the principles of transparency, open dialogue and involvement of all stakeholders.

### Procurement management

The company strives to build long-term partnerships with suppliers, contractors and consumers, taking a responsible approach to the selection of counterparties. In its relations with partners the Company takes into account their compliance with legislation in the field of human rights, labour relations and environmental stewardship.

### Responsible investment

Garant-Invest Commercial Real Estate (JSC) is at the forefront of the development of responsible financing market and its individual tools. The focus of this activity is to invest in the developed and approved "Program RE" for renovation, reconception, and modernization.



## Program RE

Garant-Invest Commercial Real Estate (JSC) implements “Program RE”. This program provides for the acquisition and renovation of retail facilities that do not meet modern requirements, increasing their popularity among buyers and tenants, improving operational and financial indicators and investment attractiveness.

We set the following strategic goals in the implementation of “Program RE”:

- Sustainability strategy integration as well as promotion of green technologies use in operational and investment activities;
- increase of investment attractiveness, business development as well as business value enhancement;
- growth in the Company’s operational and financial performance;
- debt burden decrease to strengthen the Company’s balance sheet;
- leadership in the field of redevelopment of retail and mixed-use assets;
- increase of market share.

### PROGRAM RE PROJECTS COMPLETED IN 2019

In 2019, the Company purchased a shopping center at Kashirskoye highway, located directly near the exit from Kashirskaya metro station. The three-storey building accommodates mainly service providers and small stores. Renovation of the facility will take four to six months without closing it for the visitors. The pool of tenants will be changed, thus helping to increase the facility footfall and revenue. Probably, catering outlets with outdoor areas will be added. Utilities, internal layouts and the facade of the building will also be updated. All works will be carried out in 2020 by using modern materials, energy-saving and other green technologies.

We purchased a commercial real estate facility located in the Central Administrative District of Moscow, which is a multi-purpose building with the total area of 800 m<sup>2</sup>. Upon the expiration of lease agreements with existing tenants, the functionality of the facility will be changed and a set of measures will be taken to update utilities and internal layouts; catering service is likely to be added.

Therefore, as of December 31, 2019, the Company’s real estate portfolio included 15 commercial real estate projects.

The second stage of PEROVO MALL Shopping and Entertainment Center renovation was completed **at the end of the year**: two floors of outdoor parking were redeveloped into retail areas. As a result, the leasable area was increased by 1,534 m<sup>2</sup> (or 23 %), and a two-storey Familia outlet was opened. As a result of two stages of PEROVO MALL Shopping and Entertainment Center renovation during 2018–2019, the leasable area increased by 47 %. The concept was completely changed to a family shopping and entertainment center due to entering into agreements with international and federal brands, improving the food service and various entertainment services for kids, the footfall increased fivefold, the revenue increased by 42 %, the market value increased by 48 %.

## Introduction of green technologies

The investment program is aimed at projects with a convenient location that no longer meet changing requirements, including international requirements for green construction. That is why we placed the first issue of green bonds, implemented in accordance with Green Bonds principles in December 2019. Green bond principles promote a gradual increase in transparency, which makes it easier to track funds flowing into environment projects, and at the same time improves the understanding of expected results.

Proceeds from the placement of bonds are going to be used for the implementation of Program RE, since redevelopment projects are distinguished by the introduction of state-of-the-art technologies and innovations, both in terms of energy efficiency of buildings,

“smart” shopping center function, and using advanced equipment in retail. Special attention is paid to catering companies, with their share in shopping centers steadily growing, which requires significant upgrade of energy supply, air purification and waste collection systems.

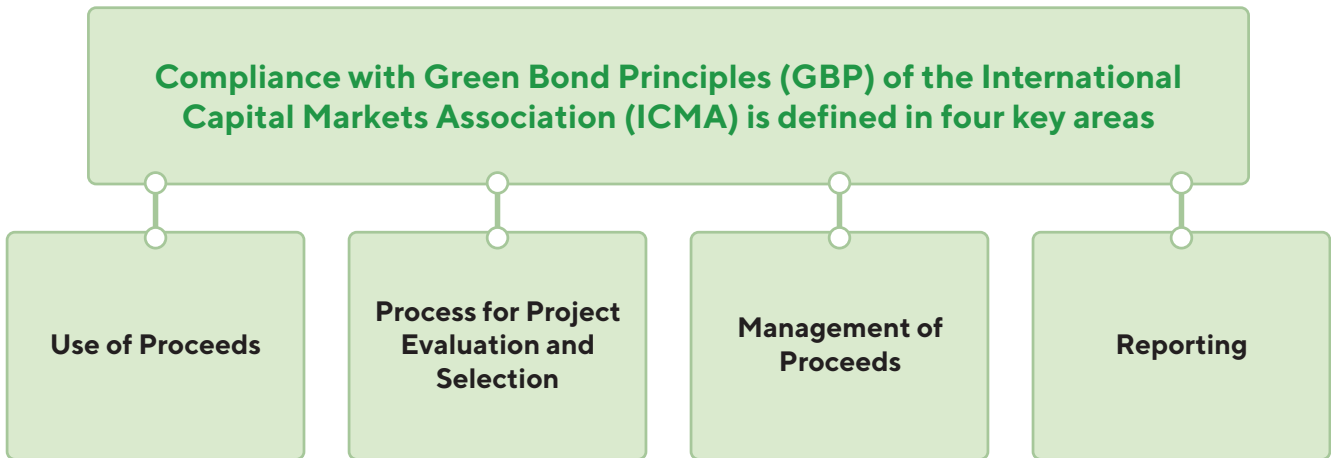
We have received a favourable environmental opinion from Branan Environment LLC regarding the compliance of the investment program with the goals of improving the environmental characteristics of projects.



## Our company is a green bonds issuer

A major achievement of the reporting year was the placement of green bonds for the financing of projects that comply with the Green Bonds Principles published by the International Capital Markets Association (ICMA). The company became the fourth Issuer of green bonds in Russia, the third Issuer at Moscow Stock Exchange, and the first Issuer in the commercial real estate sector.

On December 17, Garant-Invest Commercial Real Estate (JSC) placed 001P-06 exchange-traded bonds. The total volume of the placement was 500 million roubles with a maturity of three years and a quarterly coupon of 11.5%. This is our first bond issue that follows Green Bonds Principles. The issue is included in the green bond segment of the Sustainability Sector of Moscow Stock Exchange, created to finance environmental and social projects.



First, we received an environmental report from Branan Environment for the Action Plan for the renovation of Garant-Invest Commercial Real Estate (JSC) real estate properties and the opinion of the National Association of Concessionaires and Long-Term Infrastructure Investors (NACLTI) based on the results of due diligence of documents and compliance assessment of business procedures with the requirements for green financing. Compliance of the green issue with these principles is confirmed by the report of Expert RA JSC, available on the Company’s website.



## Compliance with the Green Bonds Principles of the International Capital Markets Association

### 1. USE OF PROCEEDS

Proceeds from the issue of green bonds will be used to renovate shopping and mixed-use centers by introducing energy-saving and environmentally friendly technologies within our investment Program RE in order to implement the Company's Sustainability Strategy: to reduce negative environmental footprint, to improve comfort for residents, and to adopt green technologies into commercial real estate.

All arrangements in the process of renovation of commercial real estate are aimed at saving energy, water and heat, as well as improving the quality of urban environment and infrastructure near the facility, including the extensive use of green technologies inside and outside of shopping centers.

Currently, the following green technologies are used in the acquired retail facilities under "Program RE", and in the renovation of own centers:

- energy-saving facade materials, thermal insulation materials;
- energy-efficient elevators, rolling stairs and auto-walks;
- eco-certified finishing and construction materials with a low environmental footprint;
- LED lighting;
- water-saving appliances;
- heat recovery ventilation systems;
- waste management systems;
- buildings control systems (centralized control and equipment automation).

Garant-Invest Commercial Real Estate (JSC) is one of the first developers and owners of real estate, which implements green technologies in its facilities. The implementation of such green technologies is aimed at:

- reduction of emissions, including greenhouse gases;
- increase of energy efficiency and reduction of resource consumption;
- introduction of separate waste collection systems;
- landscaping of adjacent territories;
- reuse of materials.

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

In order to ensure transparency of the project selection process, the Company has implemented the following documents:

- Green Procedures of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Green Committee;
- Green procurement procedures in Garant-Invest Commercial Real Estate (JSC).

In accordance with the Regulation on Green Procedures, the Company establishes the following environmental principles:

- compliance with all requirements and norms of environmental legislation;
- improvement of eco performance;
- consideration of environmental requirements in investment policy during redevelopment and development of shopping and mixed-use centers;
- regular monitoring of the impact of current activities on the environment;
- natural resources stewardship and waste management;
- systematic training, informing and involving personnel in the addressing of environmental issues;
- compliance with environmental regulations by all employees;
- informing stakeholders about the environmental stewardship activities of the Company and its subsidiaries.

In accordance with the Sustainability Strategy, Garant-Invest Commercial Real Estate (JSC) has also developed a Regulation on Green Committee. The purpose of the Committee is to ensure cooperation of managers, employees, and external experts for the effective environmental performance of the Company.

The Company has adopted the Procedure of Eco Factors-based Procurement for the standardization of processes related to procurement monitoring. The Procedure focuses on the need to monitor the environmental friendliness of purchased products. It is binding for all departments and employees. Environmental impacts can be optimized through:

- rational use of materials and raw materials;
- procurement of eco-certified materials, products and services to minimize the negative impact on the environment;
- taking into account the effect of exposure at all stages of the product lifecycle;
- encouragement of suppliers and contractors to take into account the principles of responsible procurement.

### 3. MANAGEMENT OF PROCEEDS

The reporting procedure on the expenditure for green financing is reflected in the following documents:

- Information Policy of Garant-Invest Commercial Real Estate (JSC);
- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Green Procedures of Garant-Invest Commercial Real Estate (JSC).

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**The intended use of proceeds is monitored as follows:**

- Preliminary review of projects by the Green Committee;
  - Use of proceeds after the project is approved by the Green Committee;
  - Internal reporting forms approved for each implemented project with regard to the recommendations of ICMA and the Green Bond Principles (GBP);
  - Opening a separate current account to finance projects by using proceeds from the green bond issue;
  - External audit of the intended use of proceeds.
-



## 4. REPORTING

The reporting procedure on the use of proceeds for green financing is reflected in the following documents:

- Information Policy of Garant-Invest Commercial Real Estate (JSC);
- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Green Procedures of Garant-Invest Commercial Real Estate (JSC).

The aim of the Company's Information Policy is to provide reliable, timely and high-quality information to the entire target audience about corporate actions, events, and business results. One of the main goals of our Information Policy is to meet modern requirements and criteria for reporting.

**The main principles of transparency for us are as follows:**

- Reporting in accordance with the Company's information policy;
- Reporting on environmental impacts and measures implemented to reduce such impacts;
- Reporting on each stage of the Investment program financed from funds received under the green bond issue;
- Publication of non-financial reporting documents and sustainability reports;
- Reporting on the use of proceeds at Moscow Stock Exchange.

The Company will regularly report on the project's environmental footprint, including qualitative and quantitative data, in the context of individual projects.

**The following is expected as part of drawing up the annual report on the use of green bond proceeds:**

- Peer review of the environmental impact associated with the introduction of green technologies and the implementation of "Program RE";
- Disclosure of the approach to reporting with a description of the methodology applied.

## Health and safety

**We are happy to announce that we have not had any accidents during the reporting period.**

Garant-Invest Commercial Real Estate (JSC) adheres to the highest standards in the management of health and safety system. In 2017, health and safety management system was created based on the requirements of:

- **GOST R 12.0.007-2009** Occupational safety standards system. Labour protection management system in organization. General requirements for development, implementation, audit and improvement.
- **GOST 12.0.230.2-2015** Interstate standard. Occupational safety standards system. Health and safety management systems. Conformity assessment. Requirements;
- Labour Code of the Russian Federation.

The main document regulating the Company's health and safety activities is the Regulation on Health and Safety Management System, which is a practical tool for continuous improvement of the Company's health and safety activities. This document provides for:

- ensuring the priority of preserving life and health of employees;
- ability to manage risks related to occupational health of the personnel;
- planning indicators for labour conditions and protection;
- monitoring of target indicators;
- opportunity for the implementation of corrective and preventive actions;
- internal audit of the health and safety management system and analysis of its functioning;
- possibility of adapting to changing circumstances;
- compliance with relevant national laws and other health and safety regulations that the Company must meet.

The regulation is a normative and binding document for all employees of the Company. The duties of employees related to health and safety are included in the job descriptions of managers, experts and employees of the Company. Knowledge of the requirements and compliance with this regulation is taken into account during the initial and regular labour protection knowledge assessment of the Company's employees. The Company has developed training programs on labour protection used by the permanent examination board in regular labour protection knowledge assessment, which is the basis for staff admission to work.

**IN DECEMBER 2019, THE COMPANY PASSED A SPECIAL ASSESSMENT OF WORKING CONDITIONS. FAVORABLE ASSESSMENT RESULTS ONCE AGAIN CONFIRMED THE COMPANY'S COMPLIANCE WITH ALL LEGAL REQUIREMENTS OF THE RUSSIAN FEDERATION.**





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2 ЕТАЖ

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THE HOME OF Irresistible COFFEE

ПАРКЕТЪТ СЪЩО  
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50%  
СЪС ПОМОЩЬ

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НОВАЯ ЛЕКЦИЯ



# Human capital

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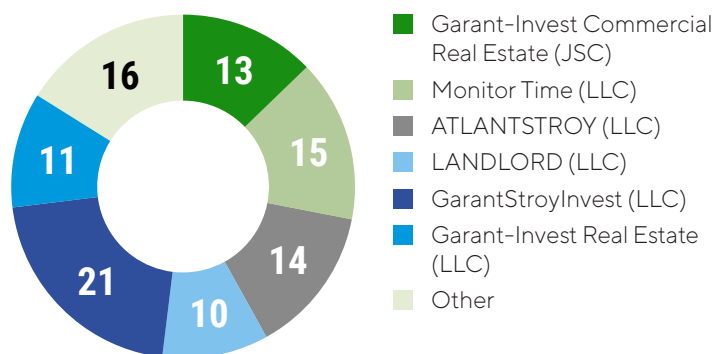
# Human capital

## Personnel structure

The Company has developed a number of key internal documents regulating personnel management processes:

- Recruitment procedure,
- Corporate social responsibility policy,
- Corporate governance code,
- Regulation on human capital and remuneration committee,
- Regulation on the system of remuneration and incentives of employees,
- Regulation on health and safety management system, etc.

Structure of the Company's personnel by assets, %



In 2019, the Company's average payroll count was 156, and the turnover was 5.6%.

## Recruitment system

In order to ensure a systematic approach and regulation of the recruitment process throughout the company, to strengthen the company's image, and to improve the quality of management personnel, Garant-Invest Group has developed a Recruitment procedure.

The aim of recruitment is to attract highly qualified experts, who have the necessary professional skills and experience in the required field, who are able to fit into the team based on their personal qualities, and who are team players ready to be helpful.

In 2019, eight employees were hired: two in Garant-Invest Commercial Real Estate (JSC), and six in its affiliated subsidiaries.



## Employee incentives

Garant-Invest Commercial Real Estate (JSC) offers a decent level of remuneration to its employees, which includes a basic salary and incentive payments in the form of a monthly bonus or an additional bonus to the official salary. The motivation system is aimed at building personal interest of employees in the effective operation of the company. It is also one of the management tools for employees' development.

Financial motivation of the Company's employees is based on the strategy of regular increase of their personal income, including the following principles:

- direct correlation with economic results of the Company, department and individual performance of employees;
- understandable and transparent implementation of incentives system (including calculation of the employee's personal contribution into overall performance);
- as maximum as possible involvement of the employees into the Company's activities by establishing personal interest in achieving good results.

Along with financial incentives, the Company has introduced moral incentives, which help demonstrate loyalty to the personnel, encourage contribution into the overall activity, and build up comfortable working conditions and environment for professional and career development. We recognize the best employees with letters of appreciation, honorary badges, diplomas, and hold contests to award "Best Employee" in each occupation. We send our employees to trainings and conferences, including abroad.

## Training and development

Various training and development programs have been developed and implemented in the Company to improve the professional level of the employees. Such programs help implement the Company's personnel development strategy, which has the following key objectives:

- improvement of professional and business skills of managers;
- development and implementation of a training system that includes the identification of training needs, planning, budgeting, the organization of training and monitoring of its effectiveness, and internal reporting;
- strengthening of the company's competitiveness by increasing the level of professional competence of the personnel; (including the development of engagement, ambitions, training in new technologies, etc.);
- improvement of the efficiency of process and personnel management;
- increase of the level of staff loyalty, employee motivation and desire for professional growth;
- adaptation of employees to new economic and social conditions of professional activity, to increase of competition in the market;
- making up management talent pool;
- reduction of costs for the recruitment of highly-qualified experts through recruitment agencies.

Such programs as Talent Pool, Institute of Deputies, Young Managers, Personnel Rotation have been effectively implemented in the Company. The following HR programs promote comprehensive professional and corporate development of our employees: Substitute, First Deputy, Talent Pool, Mentoring, Career Planning, etc. The Company has provided programs for students and graduates of universities and other educational institutions for several years.

The Intern and Young Managers programs help identify promising young professionals, ensure the continuity and traditions of corporate culture. For example, Young Managers program is aimed at professional development of young professionals, successful completion of the probationary period, imparting corporate culture and internal policies of Garant-Invest Commercial Real Estate (JSC) to young professionals.

## Social support system

Garant-Invest Commercial Real Estate (JSC) offers comfortable working conditions for its employees. In addition to the basic salary and incentive payments, the Company provides a number of social guarantees to the employees:

- voluntary health insurance;
- gifts to employees' children (under 14 years old);
- reimbursable corporate mobile communication;
- additional paid leave apart to the main annual leave;
- reimbursement of expenses for group sporting activities, including for the employees of our subsidiaries;
- lump-sum grants (in case of death of a family member, child birth, anniversary);
- reimbursement of expenses for corporate staff training, advanced training and professional retraining.

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### THE GOALS OF THE CORPORATE SOCIAL SUPPORT PROGRAM FOR EMPLOYEES INCLUDE:

- **CONTINUOUS IMPROVEMENT OF THE CORPORATE CULTURE;**
- **BUILDING CONDITIONS FOR SOCIAL PARTNERSHIP BETWEEN THE MANAGEMENT AND EMPLOYEES;**
- **ATTRACTING, RETAINING AND MOTIVATING THE EMPLOYEES;**
- **CARE OF THEIR HEALTH, PERFORMANCE, PROFESSIONAL LONGEVITY, OPPORTUNITIES FOR SELF-FULFILLMENT, WORKING AND LIVING CONDITIONS.**

## Corporate culture

The Company regularly holds various sports and cultural events in order to maximize the involvement of employees in a sports lifestyle. Regular joint activities are one of the elements of corporate culture. Workshops for top managers are held twice a year. The best employees are invited to special workshops abroad, global fairs and conferences to exchange experiences and study the best global practices. Meetings with famous sports, culture and art personalities, visits to museums, exhibitions and galleries are organized.

The Company has a special tradition. Special presents and tokens are given to employees who have worked for Garant-Invest Group for 5, 10, 15, 20 and 25 years. The number of such employees is growing every year.

The Company adheres to sports traditions. promotion and development of a healthy lifestyle and love of sports are practiced in both public and corporate environments. Healthy lifestyle and physical fitness of the employees are one of the most important elements of the Company's corporate culture, a condition for its sustainable and socially responsible development and functioning. Spartakiada (sports and athletic competition) held every two years in the year of the Olympic games is one the major corporate events. Traditional Sports Days of the Company unite minor staff members and top management in healthy competitions. For example, the Sports Day of Garant-Invest Group was held in a new format of dragon-boat rowing in the water area of the Moscow river, in Serebryany Bor in 2019.

Gyms and pools are rented for the employees for regular practices in football, volleyball, swimming and other sports.

Managers and employees of Garant-Invest Commercial Real Estate (JSC) not only initiate corporate sports events, but also regularly engage in sports and participate in competitions, such as Worldloppet, Euroloppet ski marathons, international cross-country marathons, IRONMAN, cycling competitions and many others.



THIS IS A REAL TEAM SPORT: THE VICTORY OF THE TEAM DEPENDS ON COHERENT ACTIONS OF ALL PARTICIPANTS. ABOUT 120 EMPLOYEES TOOK PART IN THE COMPETITION.



# Environmental stewardship

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ПОРТОС АВСІА  
FAN ZONE  
COSTA COFFEE  
ЮБЕАНТОУ  
ТОЧКА

ПОРТОС АВСІА



# Environmental stewardship

Sustainable use of natural resources and minimization of negative environmental footprint are strategic priorities of the operational activities of Garant-Invest Commercial Real Estate (JSC).

We make significant efforts to improve operational and managerial efficiency in order to reduce negative environmental footprint, including in the areas of energy efficiency, air emissions and waste management.

In its activities, the Company is guided by all applicable legal requirements, as well as internal regulatory documents:

- Sustainability Strategy of Garant-Invest Commercial Real Estate (JSC);
- Risk Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Green procurement procedures in Garant-Invest Commercial Real Estate (JSC);
- Green Procedures of Garant-Invest Commercial Real Estate (JSC);
- Investment Program of Garant-Invest Commercial Real Estate (JSC);
- Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC).

## 2019 highlights

Total water consumption, m <sup>3</sup>	132,979
Discharged wastewater, m <sup>3</sup>	132,979
Waste generated, t	1,157.6
Waste transferred <sup>1</sup> to other economic entities for recycling, disposal and neutralization, t	70.1
Waste transferred <sup>1</sup> to other economic entities for temporary accumulation and burial, t	699.1
Electricity consumption, MW*h	31,237.9
Heat consumption, Gcal	11,151

<sup>1</sup> Except for municipal solid waste.

## BREEAM certification

As part of the implementation of Sustainability Strategy, Tulsy Mixed-use Center, which is part of Garant-Invest Group portfolio, started BREEAM certification in 2019 for compliance with international environmental standards in real estate. International consulting company CBRE was an independent expert and certification organizer.

BREEAM certification is a voluntary process to evaluate aspects of a building’s performance, safety, environmental impact, and comfort. As part of its operational activities, Tulsy Mixed-use Center strives to minimize the negative impact on the environment through continuous improvement of its environmental performance. Issues of energy efficiency and sustainable use of natural resources are an integral part of the business strategy. That is why we decided to confirm the current business trend related to the implementation of modern and energy-efficient technologies by obtaining a certificate. In April 2020, Tulsy Mixed-use Center received a BREEAM In-Use certificate for compliance with environmental standards at “Good” level. Certification will help adhere to the implementation of such technologies and improve energy efficiency, safety, and eco indicators of the center’s activities.

Keeping a favourable environmental situation in the city, as well as building long-term relationships with socially responsible partners and contractors are our main priorities.



## Energy efficiency

Commercial real estate projects are major consumers of energy resources. Heating, air conditioning and ventilation systems, as well as lighting systems, automated control systems, elevators, rolling stairs and auto-walks consume a huge amount of heat and electricity.

Electricity consumption is directly related to emission of greenhouse gases and pollutants, which, in turn, has a negative environmental footprint and adversely affects people's well-being. As part of the implementation of the Sustainability Strategy, Garant-Invest Commercial Real Estate (JSC) strives to minimize such impact.

For 26 years, the Company has adhered to the strategy of using modern energy-efficient equipment, with the possibility of its use for further development of shopping centers.

We are also improving facilities control systems to monitor and reduce consumption of energy resources, and at the same time maintain a comfortable environment for visitors without prejudice for the activities of tenants.

The company implements a program of renovation and modernization of existing shopping centers ("Program RE") aimed at meeting the growing needs of consumer sector, which affects the energy consumption by the Company's facilities. In 2019, as part of "Program RE", we kept implementing energy-efficient measures at our facilities to ensure the sustainable use of energy resources.

### "Program RE" implementation

PROJECT	MEASURES TO INCREASE ENERGY EFFICIENCY
<b>AIRPORT GALLERY SHOPPING CENTER</b>	Use of frequency controllers ensuring smooth start and speed control of electric motors
	HVAC's operation and control system optimization
	Lighting optimization: sensor-controlled outdoor and indoor lighting
	Supply systems with recirculation
	Power network load control and balancing using Automatic system for commercial accounting of power consumption
<b>TULSKY MIXED-USE CENTER</b>	Lighting optimization: replacement of fluorescent lamps with LED lamps and subsequent disposal of the former
	Use of motion sensors in the lighting of elevator halls



PROJECT	MEASURES TO INCREASE ENERGY EFFICIENCY
	<p data-bbox="517 364 892 400">Energy-efficient hand dryers</p> <hr/> <p data-bbox="517 418 1437 491">Reduction of chiller power consumption after restoration of dry cooling tower in the cooling system</p> <hr/> <p data-bbox="517 509 1272 546">Automatic coolant temperature control in heating systems</p>
<b>KOLOMENSKY SHOPPING CENTER</b>	<p data-bbox="517 569 1354 642">Replacement of faulty ball valves, improved thermal insulation of engineering systems</p> <hr/> <p data-bbox="517 660 1387 697">Maintenance of engineering systems, scheduled equipment repairs</p> <hr/> <p data-bbox="517 715 1470 788">Lighting system optimization: replacement of fluorescent lamps with LED lamps and subsequent disposal of the former</p>
<b>PRAZHSKY GRAD SHOPPING &amp; RESTAURANT CENTER</b>	<p data-bbox="517 809 1156 846">HVAC system optimization to save heating energy</p>
<b>RETAIL PARK SHOPPING CENTER</b>	<p data-bbox="517 964 1387 1037">Replacement of fluorescent lamps with LED lamps and subsequent disposal of the former</p> <hr/> <p data-bbox="517 1055 1040 1092">Lighting automation (sensor-controlled)</p> <hr/> <p data-bbox="517 1110 1205 1146">Automation and centralized control of HVAC systems</p> <hr/> <p data-bbox="517 1164 1486 1237">Coolant temperature control in the HVAC system according to the outdoor temperature in line with temperature schedule</p>
<b>MOSKVORECHIE SHOPPING AND ENTERTAINMENT CENTER</b>	<p data-bbox="517 1274 1040 1310">Sensors and timers in the lighting system</p> <hr/> <p data-bbox="517 1328 1106 1365">Motion sensors in the lighting of escape stairs</p> <hr/> <p data-bbox="517 1383 1420 1456">Automation of Individual Heating Plant (IHP) , optimized operation of valves, redistribution of coolant by circuits</p> <hr/> <p data-bbox="517 1474 1404 1547">Heat loss reduction by using energy-efficient materials: installation of casings on heat exchangers</p>

## “Program RE” implementation (continued)

PROJECT	MEASURES TO INCREASE ENERGY EFFICIENCY
NEIGHBOURHOOD SHOPPING CENTERS “SMALL”	Light sensors in the outdoor lighting (Small Biryulevsky, Small Borisovsky, Small Redan)
	Timers (time relays) in the outdoor lighting and advertising structures
	Replacement of floodlights having fluorescent lamps with LED floodlights and subsequent disposal of the former
PEROVO MALL SHOPPING AND ENTERTAINMENT CENTER	Individual Heating Plant (IHP) partly automated: gate valve control and coolant control depending on the outdoor temperature

The maintenance department provides ongoing internal monitoring of energy consumption in order to carry out measures for efficient consumption.

As part of the internal audit, in order to control the efficiency of electricity consumption, tenants involved in catering and food trade having high-capacity thermal equipment have carried out electricity consumption analysis used as the basis to establish standard indicators of energy consumption for such tenants.

In 2019, the consumption of electricity by the Company has increased by almost 10 % due to increased rental space in Airport Gallery Shopping Center, Tulsy Mixed-use Center, Prazhsky Grad Shopping&Restaurant Center occupied by foodservice outlets and supermarkets, which use more energy-intensive equipment (electric stoves, coffee machines, industrial refrigerators and freezers, exhaust systems, etc.). The installed capacity of electrical equipment at the point of sale of general merchandise is 14 times less than one at a foodcourt.

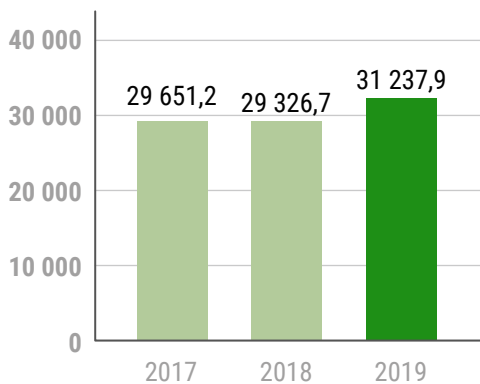
Table of power consumption by tenants

TENANT	PEAK DEMAND (max)	INSTALLED CAPACITY (max)
	kW/m <sup>2</sup>	kW/m <sup>2</sup>
Restaurants	0.34	0.49
Coffee and pastry shops (without bakeries)	0.19	0.27
Fast food outlets	1.27	1.82
Supermarkets	0.52	0.6
General merchandise companies	0.09	0.13

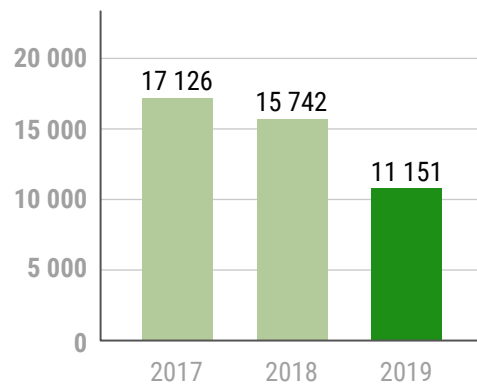
Despite the increase in the amount of rental space occupied by catering outlets and supermarkets, it was possible to reduce the total heat consumption in 2019 by optimizing the operation schedules of utility systems, and more efficient use of automatic control systems.

For example, the volume of electricity consumption of Retail Park Shopping Center in 2019 decreased by more than 9 % after the upgrade of power supply system.

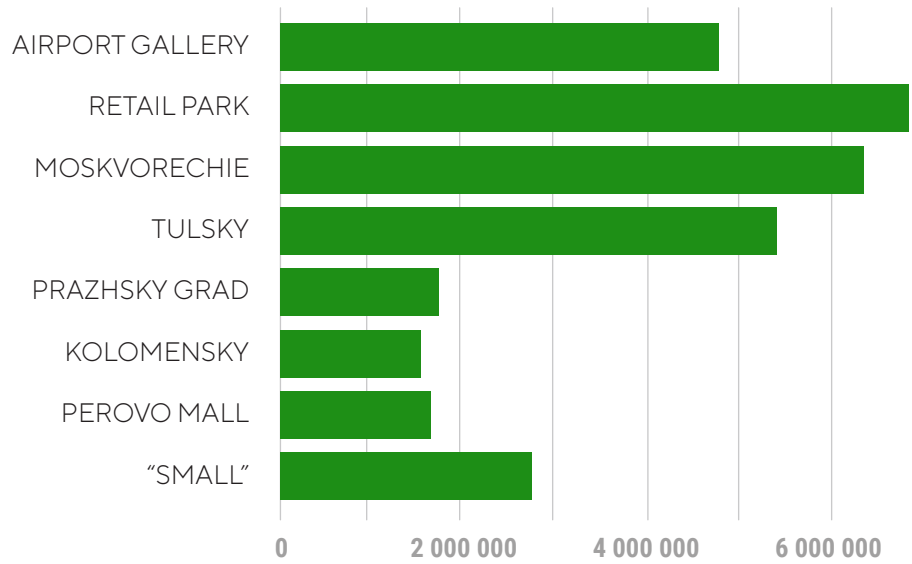
Electricity consumption, MW\*h



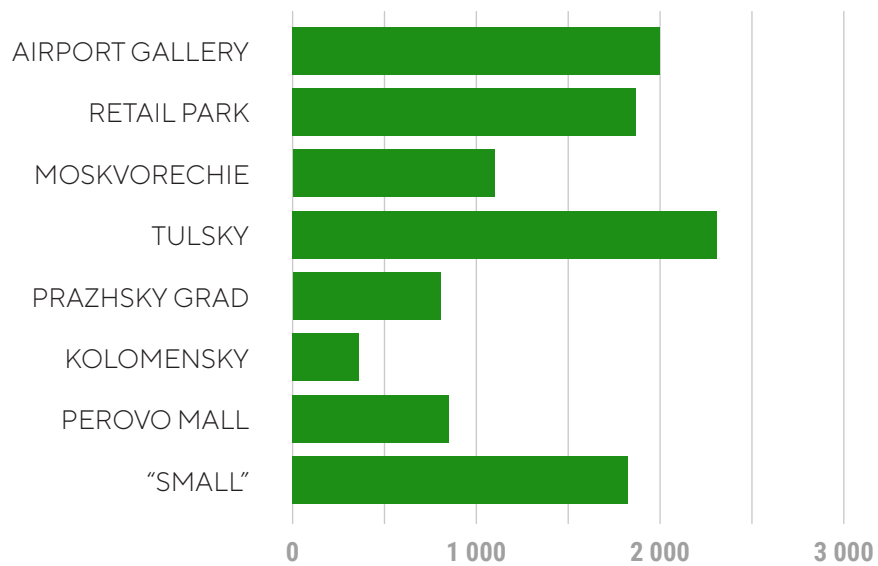
Heat consumption, Gcal



### Electricity consumption by assets in 2019, kW\*h



### Heat consumption by assets in 2019, Gcal





## Reduction of emissions from operations

Air pollution is a major challenge of the urban environment. Garant-Invest Commercial Real Estate (JSC) is aware of its role in addressing this problem, since the Company's operating activities. In particular the use of vehicles by visitors arriving to shopping centers and logistics companies, the operation of process equipment of shopping and mixed-used centers results in air emissions, including nitrogen oxides, sulphur oxides, carbon oxides, particulate matters, etc.

The Company's assets strive to organize their activities so as to reduce the negative impact on the quality of atmosphere. Therefore, we regularly monitor the quality and proper operation of local gas treatment facilities of our tenants, upgrade process equipment, and introduce innovations to reduce energy consumption.

Currently the following local gas treatment facilities are used in the Company's shopping centers:

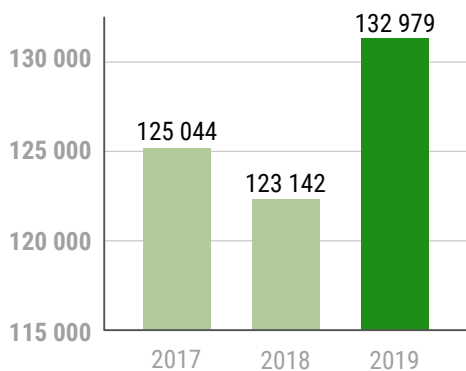
- G4 bag-type filters for the treatment of supply air, with an efficiency of up to 70%;
- modular filters for the treatment of exhaust air with an efficiency of up to 90%.

## Water stewardship

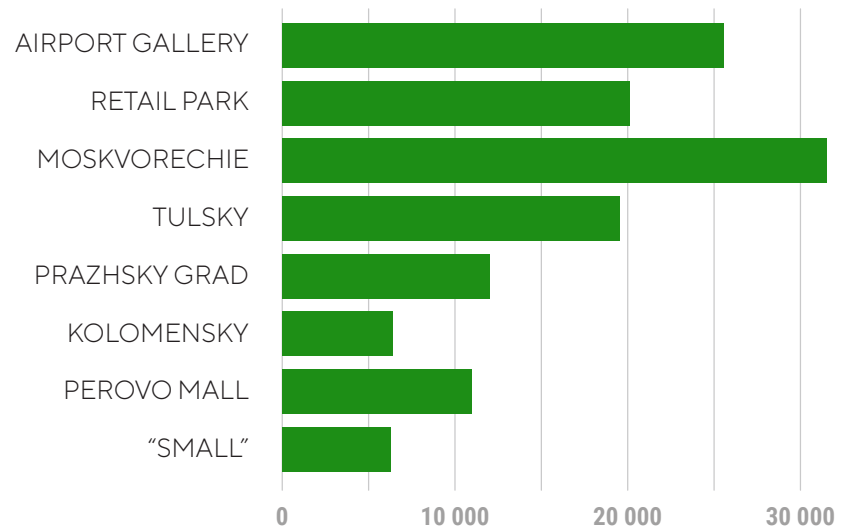
The Company's operating activities are directly related to the consumption of water resources. In this regard, the Company pays great attention to sustainable water consumption.

The decrease in water consumption in 2018 compared to 2017 is primarily due to the replacement of some tenants selling non-food products. The increase in water consumption in 2019, in its turn, is caused by an increase in the rental area occupied by catering outlets and supermarkets of leading Russian chains.

Total water consumption, m<sup>3</sup>



Total water consumption by assets, m<sup>3</sup>



As part of the implementation of the Sustainability Strategy, the Company's priority is to reduce water consumption. To this end, we have already started implementing a set of measures in 2019. Aerators for faucets were installed in the Airport Gallery Shopping Center, which can reduce water consumption by up to 40% by dispersing the water jet.

Another goal is to increase the quality of wastewater treatment in order to minimize the load on urban sewer networks. Local treatment facilities intended mainly for the treatment of wastewater from fat-containing effluents are installed at all the Company's facilities in the area of process equipment of tenants:

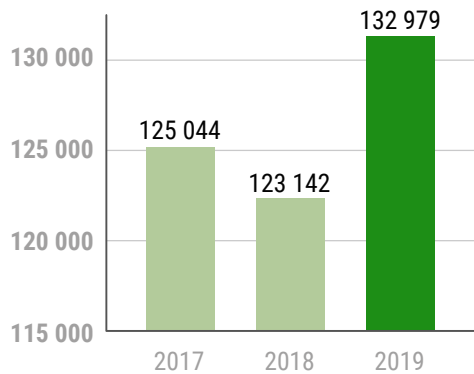
- industrial grease traps with the efficiency of up to 95%;
- local grease traps with the efficiency of 60-70%.

The Company's operations department regularly monitors the quality of supplied and discharged water, and the efficiency of wastewater treatment plants. For example, all the Company's assets have grease traps monitoring system. At the same time, the tenants undertake to provide the operations department with certificates on the cleaning of local grease traps provided by a specialized organization under the contract with the tenant.

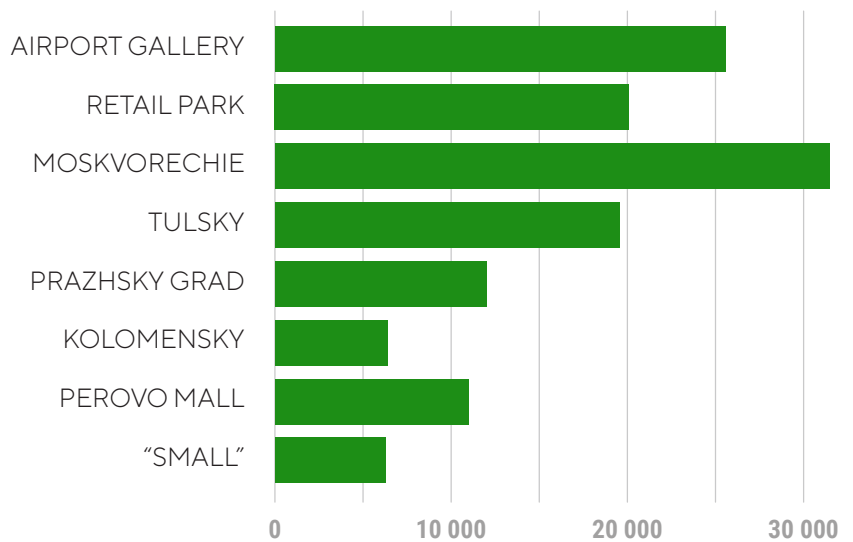
Apart from internal in-process inspection by the operations department, the monitoring system includes regular cleaning of fat deposits, as well as external inspections by state operating organizations (Mosvodokanal JSC) in accordance with government regulations:

- Rules of cold water supply and water disposal approved by the Decree of the Government of the Russian Federation No. 644 dated July 29, 2013;
- Order of Department of Housing, Utilities and Amenities of Moscow No. 05-01-06-149/6 dated July 8, 2016 “On the approval of the regulations for the technical operation of facilities of the centralized system of surface wastewater disposal from the territory of Moscow”.

Discharged wastewater, m<sup>3</sup>



Total wastewater discharged breakdown, m<sup>3</sup>



The results of preventive measures and ongoing monitoring are recorded in the logs of operations department. If any defects are identified, measures are developed to eliminate them and employees responsible for the implementation of these measures are appointed.

Since the Company does not carry out water intake from surface and underground water sources, the source of water supply for the operational activities of all the Company’s facilities is the municipal water supply system of Mosvodokanal JSC. The volume of water used is equal to the volume of wastewater discharged.

## Waste management system

In 2019, the Company started extensive work to transfer to a new waste management system. New developments are related to the reforms of the waste management system in Russia that are intended to increase the volume of waste sent for disposal, recycling and reuse. Understanding the importance of this issue, the Company sets the following goals for 2020:

- to increase staff awareness of the need to implement a modern system of separate waste collection and reuse, including training of employees;
- to analyse the existing waste management processes;
- to equip all the Company's facilities with containers for separate waste collection;
- to introduce separate waste collection system;
- to work with contractors to optimize waste transfer/ transportation/disposal schemes together with operators responsible for the transportation and further recycling of waste.

Today, the Company is developing a Waste Management Policy, which focuses on the preparation of the Company's shopping centers for new state environmental requirements for waste management and the implementation of a modern waste management system at all the Company's facilities.

Waste of hazard classes I-IV is generated as a result of the operational activity of a shopping center. Class I referred to as "extremely hazardous" includes fluorescent lamps that generate waste when replaced with led ones. Less hazardous waste of classes II-III include cardboard, waste plastic, film, mixed waste.

### Waste generation, t

PARAMETER	2018	2019
Waste generated <sup>1</sup>	1,537.4	1,157.6
Waste transferred <sup>1</sup> to other economic entities for recycling, disposal and neutralization	241.6	70.1
Waste transferred <sup>1</sup> to other economic entities for temporary accumulation and burial	1,108.0	699.1

<sup>1</sup> Except for municipal solid waste.



## Fluorescent lamps and hazardous substances

In 2019, the volume of waste transferred for disposal and neutralization decreased due to the rejection of fluorescent lamps. In order to implement the Company's Sustainability Strategy, fluorescent lamps are being replaced with longer-lasting led lamps, which results in less class I waste generation requiring special conditions for collection, temporary accumulation, and burial. When working with fluorescent lamps and other hazardous substances, the Company is guided by national statutory requirements for collection and temporary accumulation:

- when using luminescent lighting equipment – the safety standards specified in the Decree of the Government of the Russian Federation No. 681 dated September 3, 2010;
- when using dangerous and explosive, fire-hazardous substances – OST 107.12.028-2002 "Occupational safety standards system" and other regulatory documents.

In 2019, the following assets of the Company replaced fluorescent lamps with led ones:

- Tulskey Mixed-Use Center;
- Prazhsky Grad Shopping&Restaurant Center;
- Retail Park Shopping Center;
- Neighbourhood Shopping Centers "Small".

In total, the Company replaced more than 184 lamps, 100% of which were transferred to specialized operators for disposal in accordance with the established requirements.



# Stakeholders engagement

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## Material topics

In order to create a report that covers reasonable expectations and interests of stakeholders, we identified material topics that reflect the significant impact of Garant-Invest Commercial Real Estate (JSC) on the economy, environment and society, or may significantly affect the assessments and decisions of stakeholders.

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We relied on the following principles to determine the content of the Report:

1. **MATERIALITY.** The Report should cover topics that best describe the Company's significant impact areas.
2. **STAKEHOLDER OUTREACH.** Reporting should be based on reasonable expectations and the interests of all stakeholders.
3. **CONTEXT OF SUSTAINABLE DEVELOPMENT.** The report should present the results of the organization's activities in the broad context of sustainable development.
4. **COMPLETENESS.** The coverage of significant issues and indicators disclosed in the Report should be sufficient to assess the organization's performance during the reporting period.

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First, we identified topics and related indicators that are significant and, therefore, may be covered in the Report. The topics were determined based on:

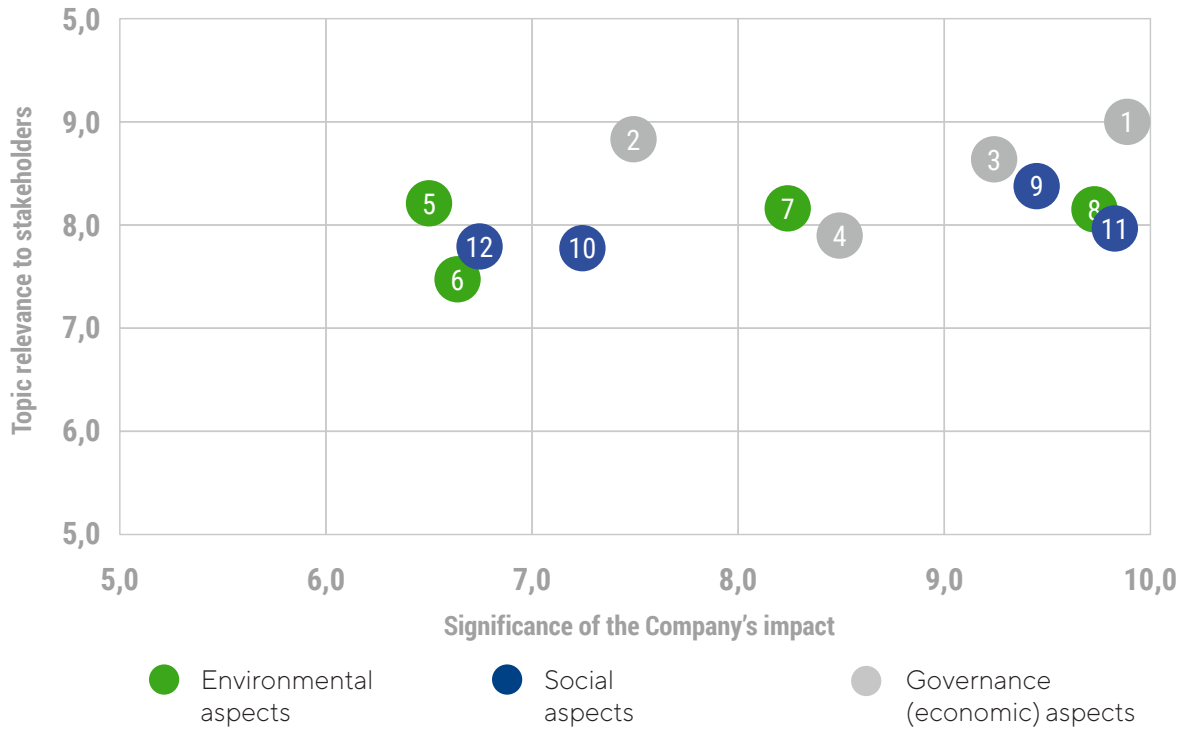
- international reporting standards and recommendations (including GRI Standards);
- comparative industry analysis and analysis of global trends;
- interviews with the Company's employees dealing with ESG issues and interaction with stakeholders.

The main component in the identification of material topics is an online survey. Representatives of the following stakeholders took part in it:

- employees of the Company, including top management;
- representatives of the tenants.

**Based on the results of the survey, 12 material topics were determined:**

- |  |  |
|--|--|
| 1. Economic performance  | 7. Waste management system                   |
| 2. Sustainable supply chain  | 8. Compliance with environmental legislation |
| 3. Business ethics, anti-bribery and corruption and compliance with legal requirements | 9. Health and safety                         |
| 4. Responsible investment  | 10. Human capital, training and incentives   |
| 5. Energy consumption and energy efficiency  | 11. Employment                               |
| 6. Climate strategy and emissions  | 12. Corporate social responsibility          |



The Company's management analysed the survey results, which was used as the basis for compiling a materiality matrix. Material topics have different levels of importance: the most important ones are located in the upper-right part of the matrix. In addition to the level of importance, the topics are also grouped by the ESG components: environmental, social, and governance (economic).



Garant-Invest Commercial Real Estate (JSC) actively cooperates with stakeholders on a regular basis. We strive to maintain an open and mutually beneficial relationship with our stakeholders through an individual approach.

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## Engagement mechanisms

The Company has created a regulatory framework that regulates engagement of stakeholders:

- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC);
- Conflict of Interests Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Information Policy of Garant-Invest Commercial Real Estate (JSC);
- Corporate Social Responsibility Policy of Garant-Invest Commercial Real Estate (JSC);
- Green procurement procedures in Garant-Invest Commercial Real Estate (JSC)

The main stakeholders of Garant-Invest Commercial Real Estate (JSC) are those groups of people who are most affected by the Company's activities or have a direct impact on the Company's activities. These include shareholders, creditors and bondholders, federal and local government and supervisory authorities, tenants, employees, shopping center visitors and local residents, contractors and suppliers, and the media.

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**GARANT-INVEST COMMERCIAL REAL ESTATE (JSC) REGULARLY ANALYZES THE NEEDS AND REQUESTS OF ITS STAKEHOLDERS IN ORDER TO PROVIDE TIMELY INFORMATION ABOUT THE COMPANY'S ACTIVITIES. TO MAINTAIN A HIGH LEVEL OF INFORMATION TRANSPARENCY, THE COMPANY DECIDED TO PUBLISH ITS FIRST SUSTAINABILITY REPORT.**

Stakeholders engagement mechanisms

PARTY	ENGAGEMENT MECHANISMS	KEY EVENTS IN 2019
<b>Shareholders, creditors and bondholders</b>	<ul style="list-style-type: none"> <li>• Financial statements</li> <li>• Meetings with investors</li> <li>• Conduct of and participation in thematic events</li> </ul>	<ul style="list-style-type: none"> <li>• Garant-Invest Group took part in the XI Russian Private Equity Congress, Investfunds Forum X annual conference of institutional investors, St. Petersburg International Economic Forum 2019, MAPIC Russia 2019 international forum</li> <li>• Alexey Panfilov, CEO of Garant-Invest Commercial Real Estate (JSC), held a series of meetings with investors in “million-plus” cities</li> </ul>
<b>State authorities and supervisory authorities</b>	<ul style="list-style-type: none"> <li>• Social and economic cooperation with regions</li> <li>• Sponsorship and charity</li> </ul>	<ul style="list-style-type: none"> <li>• Garant-Invest Group and the Tula region had entered into the cooperation agreement</li> <li>• Garant-Invest Group sponsored Russian Stock Market annual conference</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Workshops</li> <li>• Advance training</li> <li>• Corporate newsletters</li> </ul>	<ul style="list-style-type: none"> <li>• Garant-Invest Group held a sustainability workshop for the Company’s managers and tenant partners</li> </ul>
<b>Visitors of shopping centers and local communities</b>	<ul style="list-style-type: none"> <li>• Improvement of adjacent territories</li> <li>• Higher level of comfort in shopping centers</li> <li>• Socially oriented activities</li> </ul>	<ul style="list-style-type: none"> <li>• Garant-Invest Commercial Real Estate (JSC) completed the renovation of Perovo Mall Shopping and Entertainment Center</li> <li>• Corporate Social Responsibility Policy of Garant-Invest Commercial Real Estate (JSC) adopted</li> </ul>
<b>Tenants, contractors and suppliers</b>	<ul style="list-style-type: none"> <li>• Involvement in sustainability activities</li> <li>• Building mutually beneficial conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Garant-Invest Group held a sustainability workshop for the Company’s managers and tenant partners</li> <li>• Green procurement procedures in Garant-Invest Commercial Real Estate (JSC) adopted</li> </ul>

## Anti-bribery and corruption

Garant-Invest Commercial Real Estate (JSC) takes seriously the issues of combating corruption and creating an effective anti-corruption corporate system. The Company has an Anti-corruption Policy in place, which is the main document to regulate such issues.

The Policy is based on both Russian and international anti-corruption standards and has a preventive nature.

The Anti-corruption Policy defines seven principles the Company relies on to build an effective anti-corruption corporate system.

### Principles of the Company's Anti-Corruption Policy

PRINCIPLE	COMPANY'S ACTION
Compliance with legislation and generally accepted standards	The Company adheres to the principles of compliance with applicable anti-corruption legislation and ethical business conduct in all types of business relationships
Corruption rejection	The Company adheres to the principle of rejection of corruption in all forms and manifestations, both in daily activities and in the implementation of strategic projects
Personal example of the management	The management and members of the Company's Board of Directors should set the standard of ethical behaviour by their own behaviour, sensitize employees against any forms and manifestations of corruption through their personal example, which should become an integral part of the corporate culture and daily business practices of the Company's employees
Responsibility and the inevitability of punishment	The Company motivates employees and representatives of the Company to adhere to the principles of compliance with the Anti-corruption Policy, and consistently applies sanctions every time the provisions thereof are violated
Proportionality of anti-corruption procedures to corruption risks	The Company implements anti-corruption procedures that correspond reasonably and proportionally to the level and nature of risks identified
Informing and training	The Company implements and maintains a training program in principles and standards of compliance with applicable anti-corruption legislation through a dedicated system. The training is provided during employment and as needed, in particular in case of significant changes in the applicable anti-corruption legislation or in the Company's anti-corruption procedures
Continuous follow-up and regular monitoring	The Company provides monitoring of the efficiency of implemented anti-corruption procedures and compliance with such procedures, and improves them if necessary

In accordance with principle 7, Garant-Invest Commercial Real Estate (JSC) regularly updates its Anti-corruption Policy in order to continuously improve the anti-corruption system and comply with all legislative changes. The Policy was last updated in 2019.

The Anti-corruption Policy applies to all employees, representatives and members of the Company's governance bodies, regardless of their position, as well as to the Company's contractors. Garant-Invest Commercial Real Estate (JSC) makes reasonable efforts to minimize the risk of establishing business, labour and other relationships with individuals or legal entities that may be involved in corrupt activities and, thus, expose the Company to the risk of involvement in such activities.

## Reporting on violations

Every employee of the Company, regardless of their position, who has become aware of facts (or respective signs) about the violation or inducement to violate the current anti-Corruption policy and/or applicable anti-corruption legislation, must inform the Head of Security Service by an e-mail or by phone. If the message concerns the actions of the Head of the Company's Security Service – to a higher level manager.

For its part, the Company guarantees within its authority to protect employees who have reported in good faith a violation or suspected violation of the Anti-corruption Policy and/or applicable anti-corruption legislation from prosecution or any form of discrimination by the person against whom the report was made.

In order to minimize the risk of involvement of the Company in corruption activities, verification procedures have been developed and implemented both for contractors – legal entities (including members of joint ventures, companies or associations), and for individuals with whom the Company is going to enter into an employment or civil contract. The established procedure is also applied when the Company acquires a piece of real estate.

The verification procedure related to the planned acquisition includes both an appropriate study of the facility to be acquired, its owners and management, and verification of the purpose and execution of such a transaction for compliance with the requirements of the Anti-corruption Policy of Garant-Invest Commercial Real Estate (JSC) and the applicable anti-corruption legislation.

Besides, the Company guarantees that no employee will be subject to sanctions (including dismissal, demotion, loss of bonuses, etc.), if he/she has reported in good faith the alleged fact of corruption or refused to give or receive a bribe, commit commercial bribery or mediate in bribery, in particular if the Company has lost profits or failed to obtain commercial or competitive advantages as a result of such refusal. Such guarantees however do not apply to guilty employees, as well as to cases, where an internal investigation proves that the relevant report was intentionally false, perjury or libel.

## Anti-corruption Policy follow-up

The Company regularly carries out internal and external audits of financial and economic activities, on-going monitoring of the completeness and correctness of all business transactions in accounting and compliance with the requirements of legislation and internal regulatory documents of the Company, including the principles and requirements established by the Anti-corruption Policy.

As part of internal control procedures, the Company carries out inspections of the proper execution of the established procedure for performing business processes, including inspections of the legitimacy of operations with the Company's assets, their economic validity, rationality of expenses, including for confirmation by primary accounting documents and compliance with the Anti-corruption Policy.

## Supply chain management

Responsible management of the supply chain is an essential element in achieving the goal of minimizing negative environmental impacts. The main document regulating the Company's activities related to responsible management of the supply chain is the Green procurement procedures in Garant-Invest Commercial Real Estate (JSC).

In its activities, the Company strives for transparent management of the supply chain, fair competition and building trustful and long-term relationships with clients. That is why we pay special attention to the selection of potential contractors. The key criteria for selecting suppliers are set out in the Green procurement procedures in Garant-Invest Commercial Real Estate (JSC). Requirements for suppliers can affect both the production process of goods and services, and the supplier's own procurement operations.

The suppliers selection process is structured so as to ensure a transparent selection of the best suppliers and exclusion of those that do not meet the Company's requirements.

Our procurement is tender-based. The supplier is selected as a result of bids evaluation. Any bidder has the right to send an application and a quotation in accordance with the established procedure. Garant-Invest Commercial Real Estate (JSC) also makes direct purchases from suppliers and one-time purchases from contractors, if the total price of purchase made over the year does not exceed 100 thousand roubles.

It is recommended to give preference to the supplier located as close as possible to the delivery site to reduce the negative impact on the environment.



Since 2019, the Company has introduced additional criteria for evaluating potential suppliers and contractors, namely:

- environmental management system in place (for example, ISO 14001, ISO 20400, EMAS or equivalent standards);
- no legal proceedings related to the violation of environmental legislation;
- arrangements in place to improve logistics efficiency (for example, reducing the distance or frequency of trips associated with the delivery of products);
- initiatives to minimize the negative impact on the environment (reducing waste generation, improving energy efficiency, reducing resource consumption, creating / using renewable energy sources);
- environmental design initiatives;
- compliance with the “Concept of the implementation of state policy to eliminate diseases associated with exposure to asbestos-containing dust” by the manufacturer of goods.

The Company has also developed criteria for the selection of equipment, materials and products. Since 2019, the Company has paid special attention to suppliers of eco-labelled products. Special attention is paid to methods of disposal of equipment, materials and products. Priority is given to reusable products. When purchasing materials that are not designed for long-term use, we start considering the order of disposal of such materials, the degree of environmental impact of components during disposal, and the possibility to recycle the resulting waste or individual elements of materials.

The Company has developed additional recommendations for the procurement of certain types of products, such as:

- electrical equipment:
  - ventilation units, pumps, refrigeration equipment,
  - cooling equipment (chillers, split systems, air conditioners),
  - electric motors,
  - lighting fixtures,
  - cable products;
- water-saving appliances;
- office and home appliances;
- thermal insulation materials;
- chemical products, construction, paint and other materials;
- floor covering;
- dry construction mixes;
- glass exterior structures (showcases, windows), internal partitions, glass doors.

Such recommendations help ensure high quality of purchased products and unify the approach to procurement in the Company's assets.

As part of the implementation of the Sustainability Strategy, issues of responsible management of the supply chain are reviewed at the level of the top management of Garant-Invest Commercial Real Estate (JSC), and regularly discussed during Green Committee meetings.

The Directorate for Projects and Customer Service Garant-Invest Development (LLC) carries out pre-selection of contractors/suppliers/partners to provide goods/services complying with the Green procurement procedures in Garant-Invest Commercial Real Estate (JSC) based on the information provided from other Company's assets and through self-search and negotiations, and also initiates the review of the selection of contractors/suppliers/partners at the Green Committee of Garant-Invest Commercial Real Estate (JSC).

Now, the Company is generalizing and updating suppliers, contractors, brands for technology and procurement for the further selection of single source suppliers/brands.

## Corporate social responsibility

The company builds a management system in the field of corporate social responsibility using global standards and best international experience in this field. In 2019, the Corporate Social Responsibility Policy of Garant-Invest Commercial Real Estate (JSC) was developed and put into effect (hereinafter referred to as CSR Policy).

Social events organized

**72**

Active participants

**23,019** persons

Social activities expenditure

**3.4** million RUB

### Governance system

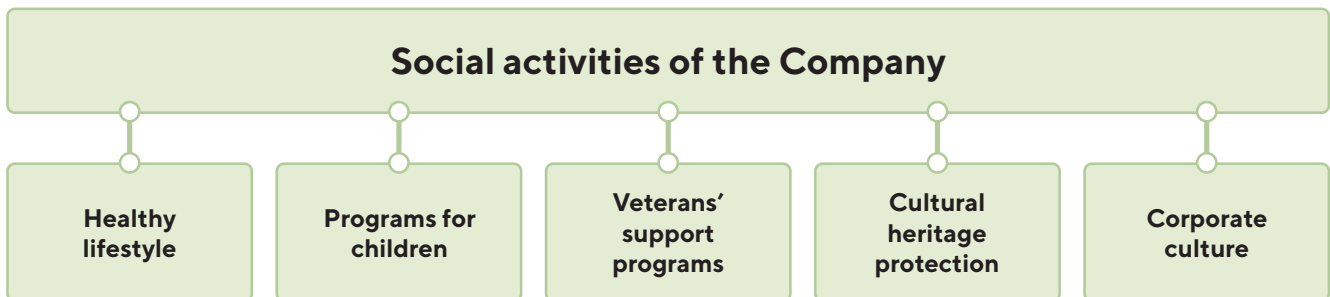
The Company’s Board of Directors approves strategic targeted social programs and monitors the consistency and efficiency of their implementation. The Personnel and Remuneration Committee of the Board of Directors oversees the compliance with the CSR Policy, monitors the efficiency of its implementation,

and pre-reviews the content and budgets of social programs submitted to the Board of Directors.

CEO of the Company manages the implementation of the CSR Policy. Responsibility for social projects in the Company’s subsidiaries is assigned to HR managers.

### Priority areas of activity

The Company intends to regularly improve the CSR Policy and update it in accordance with the dynamics of goals and objectives of both the Company and stakeholders. Within the framework of social activities, the Company identifies the following priority areas of activity:



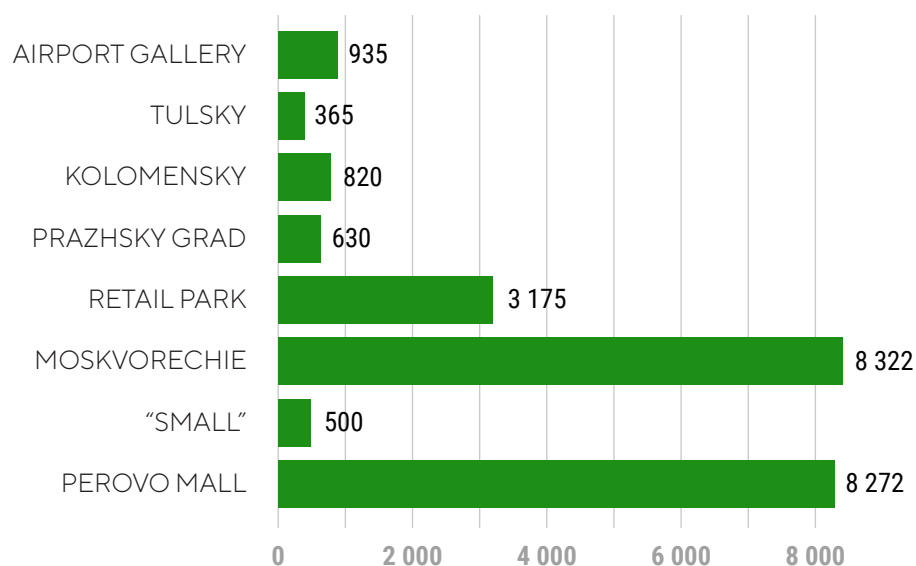
## Events

More than 70 events were held in the above areas in 2019. About 50% of them were held in conjunction with public holidays. For example, the City Day was celebrated in three shopping centers: Retail Park Shopping Center, Kolomensky Shopping Center, and Perovo Mall Shopping and Entertainment Center. Photo zones, a concert program, and master-classes for children were organized.

The most popular events were Immortal Regiment campaign held by Perovo Mall Shopping and Entertainment Center and Memorial Wall of Heroes organized by Moskvorechie Shopping and Entertainment Center.

More than 40% of the events offered activities to children. Besides, Perovo Mall Shopping and Entertainment Center received two letters of appreciation in 2019, one of which was sent on behalf of the Mayor of Moscow, for high professionalism and many years of conscientious work for the benefit of Moscow and Muscovites.

### Number of active participants of events organized in 2019, persons





## Veterans' support programs

The Company strives to maintain a link between generations, so that the memory of the feat of grandfathers and great-grandfathers is firmly preserved in children and young people. The Company regularly organizes commemorative and festive events in shopping and mixed-use centers, including special events dedicated to the celebration of Victory Day. Stands and commemorative plaques with photos of war heroes who lived in the district are organized in shopping centers. The Company's shopping centers have been cooperating and supporting local Veterans' Councils for many years, and hold festive events dedicated to Victory Day.

Moskvorechie Shopping and Entertainment Center together with the Prefecture of the southern administrative district have prepared a joint project for the 74th anniversary of the Great Victory. There are photo stands in the shopping and entertainment center, where everyone can read stories about 74 heroes of the southern administrative district and find out their contribution to the Great Victory.



A patriotic slide show "Our Countrymen Veterans of the Great Patriotic War" was demonstrated on the video wall in Kolomensky Shopping Center. As part of the slide show, a brief background information was provided about the heroes and veterans of the Great Patriotic War who lived in Nagatinsky Zaton and Malye Sadovniki districts.



Perovo Mall Shopping and Entertainment Center joined the all-Russian "Immortal Regiment" campaign and organized large-scale celebrations dedicated to the 74th anniversary of Victory in the Great Patriotic War together with the administration of Novogireevo district on May 7 and 8. Participants of "Immortal Regiment" campaign in Novogireevo marched from Perovskaya and Novogireevskaya streets to Zeleny Prospekt. More than 1 thousand people took part in the campaign. The Memorial Wall of Novogireevo district was organized on the third floor of Perovo Mall Shopping and Entertainment Center, where residents of the district posted photos, letters or stories of their relatives—veterans of the Great Patriotic war. When holding such events, Perovo Mall Shopping and Entertainment Center closely cooperates with the Novogireevo District Administration, the Council of Municipalities of Moscow for Novogireevo Municipal District, the Council of Veterans and the Council of Deputies for Novogireevo District.

## Programs for children

One of our social activities is taking care of the younger generation. The company regularly implements programs aimed at the creative, intellectual and sports development of children and teenagers. Garant-Invest Commercial Real Estate (JSC) regularly holds children's thematic and entertainment programs in its shopping centers that help children discover their creative potential. New Year events are held annually for the children of employees, clients and partners.

In particular, the Company holds "Get Your Kid Ready to School" charity event.

This campaign includes charity support for children from poor families, workshops and performances. For example, Tulsy Mixed-use Center once again held a charity event for children of Danilovsky district with gift distribution (school kits with backpacks) on August 30. The event was organized in collaboration with one of the center's tenants, IL Patio restaurant, which held a free workshop for children in pizza cooking.

**IN GENERAL, 72 EVENTS WERE HELD AT THE COMPANY'S SITES IN 2019, WHICH WERE ATTENDED BY MORE THAN 23 THOUSAND PEOPLE.**



Traditionally, the Company organizes New Year celebration for children. Thematic events were held at all the Company's assets. In 2019, Garant-Invest Group published a children's development book with stickers. It includes illustrations of spaces of the Company's retail and mixed-use centers, and pages with stickers to add things and characters to the illustrations, which helps develop children's small motility of hands and imagination.

On October 10, Airport Gallery Shopping Center together with the administration of Airport district, the administration and the Council of deputies of Airport municipal district held a sports festival dedicated to a healthy lifestyle. Guests took part in competitions, table-top games, workshops and other sports activities.

The program included performances by young performers of popular contemporary art trends. The key event was the performance of multiple champions of Russia in bike trials.



Airport Gallery Shopping Center together with the administration of Airport district and the office of the Council of Deputies of the Airport municipal district, supported by "Chitay Gorod" network of bookstores, held "Clean Planet" drawing contest for children from 7 to 12 years old. Participants submitted an artwork made by one author or a group of authors using gouache, acrylic, oil, watercolour paints or crayons. The jury chose the winners in three nominations:

1. Work of authorship,
2. Collective work,
3. Audience choice.

The best works were included in "Clean Planet" exhibition organized on the second floor of Airport Gallery Shopping Center.



# Corporate governance

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# Corporate governance

The corporate governance system of Garant-Invest Commercial Real Estate (JSC) reflects our vision of the Company in the future as one of the first public and socially responsible companies in the Russian commercial real estate market, with its activities determined by the goals of long-term sustainable development. The Company's corporate governance system meets the requirements of the Russian legislation and focuses on the best domestic and foreign practices and standards.

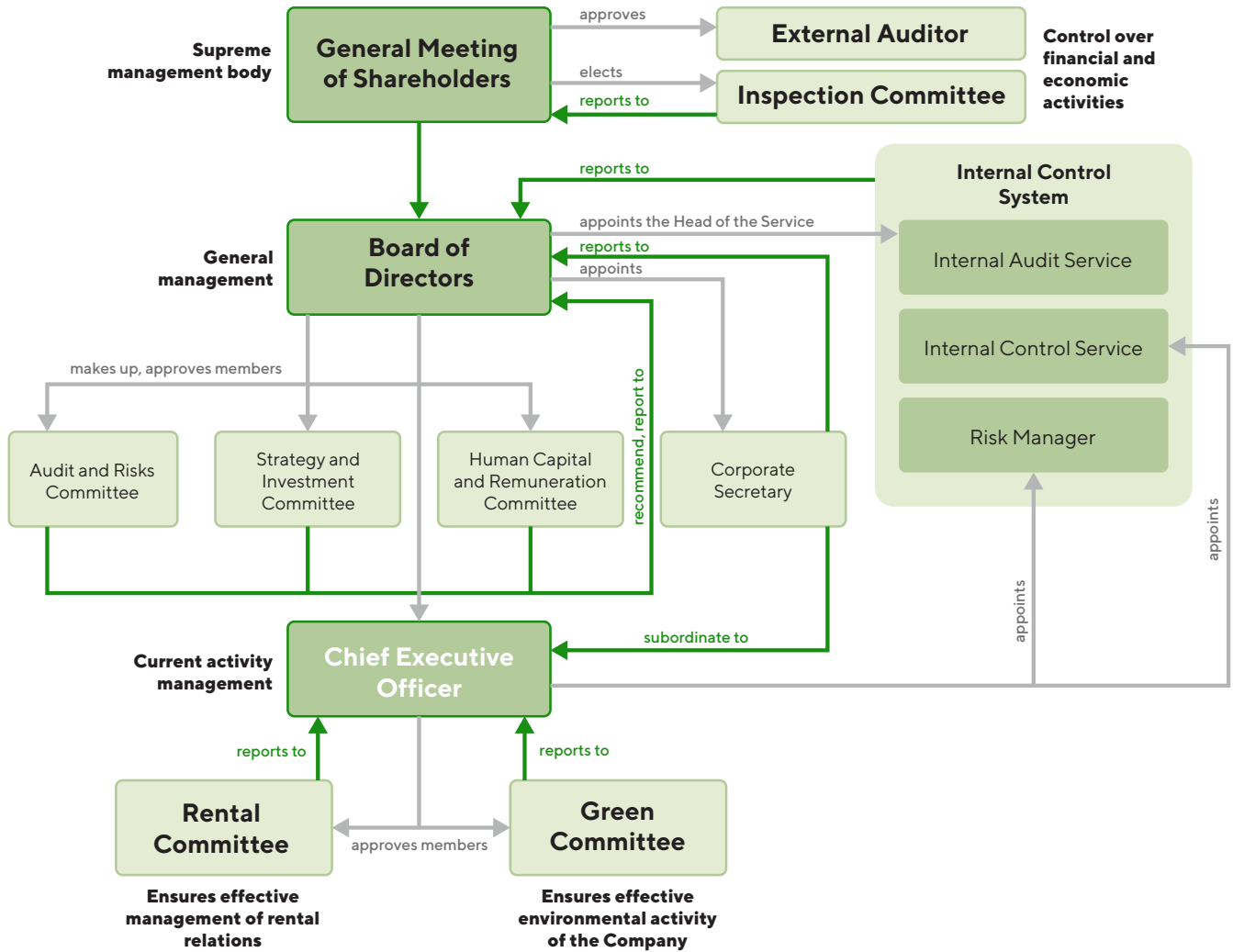
Building of this system is determined by the desire to ensure the confidence of shareholders, employees, customers and other stakeholders in effective and professional management. Approaches to the organization of effective corporate governance, key principles and provisions used by the Company are defined in the Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC). The Board of Directors approved a new version of the Code on October 7, 2019. At the same time, we are aware that changes in the external environment and new challenges faced by the Company, in particular in the introduction of innovations and digital technologies, as well as the risks associated with these processes require timely and adequate "tuning" of the corporate governance system.

Currently, as a non-public company, we are not required to comply with the recommendations set out in the Corporate Governance Code approved by the Bank of Russia. However, the Company strives to follow the provisions of this document in the main sections: Rights of Shareholders, Board of Directors, Corporate Secretary, Remuneration System, Risk Management System, Reporting, Significant Corporate Actions. Compliance with the significant number of established criteria was achieved for most of them.

## Governance principles

- Equal and fair treatment of all shareholders in the exercise of their rights to participate in the management of the Company.
- Competence and responsibility of members of the Board of Directors (who act in the interests of the Company and its shareholders), accountability to shareholders, sufficient number of independent Directors available.
- An effective risk management and internal control system to ensure reasonable confidence in achieving the goals set.
- Information policy that ensures transparency of all aspects of business for shareholders, investors and other stakeholders.
- Full and timely reporting about significant corporate actions in accordance with legal requirements and the principles set out in the Bank of Russia Corporate Governance Code.
- Remuneration system for members of the Board of Directors and senior employees of executive bodies that motivates them to work effectively to achieve business goals.
- Continuous improvement of corporate governance practices in accordance with changes in legislation and current trends.

Corporate governance structure



Main documents that ensure the observance of the rights of the Company’s shareholders

- Company Charter
- Regulation on General Meeting of Shareholders
- Regulation on the Board of Directors of Garant-Invest Commercial Real Estate (JSC)
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC)
- Information Policy of Garant-Invest Commercial Real Estate (JSC)
- Dividend Policy of Garant-Invest Commercial Real Estate (JSC)

In 2019, the Company continued to implement Corporate Governance Code of the Bank of Russia (hereinafter referred to as the Code). Internal documents regulating activities in the field of corporate governance were supplemented or brought into line with the Code. The new versions of the following documents were approved at the meeting of the Board of Directors:

- Corporate Strategy of Garant-Invest Commercial Real Estate (JSC) for 2020–2024;
- Financial Policy of Garant-Invest Commercial Real Estate (JSC);
- Risk Management Policy of Garant-Invest Commercial Real Estate (JSC);
- Investment Program of Garant-Invest Commercial Real Estate (JSC);
- Lease Relations Procedure in Garant-Invest Commercial Real Estate (JSC);
- Corporate Governance Code of Garant-Invest Commercial Real Estate (JSC);
- Regulation on Strategy and Investment Committee of Garant-Invest Commercial Real Estate Joint Stock Company;
- Information Policy of Garant-Invest Commercial Real Estate (JSC);
- Environmental Management Principles of Garant-Invest Commercial Real Estate (JSC);
- Order On Members and Operation of Green Committee of Garant-Invest Commercial Real Estate (JSC);
- Order On the Appointment of Responsible Employees for Procurement in Garant-Invest Commercial Real Estate (JSC);
- Regulation on Anti-corruption Policy;
- Regulation on Remuneration.

The performance of the Board of Directors, including in issues related to the protection of shareholders' interests and risk management, requires independent Directors among its members. The participation and contribution of independent Directors to the work of the Board of Directors increases the level of trust to the Company from shareholders and the investment community, and improves the quality of strategic decisions. Last year, the Board of Directors approved the Chairman of the Board, A.A. Gretsov, as an independent Director in accordance with the independence criteria set by Moscow Stock Exchange. Thus, two out of five members of the Company's Board of Directors are independent, which corresponds to the recommendations of the Code (at least 1/3 of the elected Board of Directors).

#### **Improvement of corporate governance will continue in two areas:**

- Bringing certain internal documents into full compliance with the Corporate Governance Code of the Bank of Russia and using their provisions and norms in everyday practice.
- Management of subordinated entities. Interaction with subordinated organizations is aimed at the implementation of the strategy and increase of their investment attractiveness as holders of the Company's most valuable assets.



## Internal control system

The Company has implemented a comprehensive internal control system aimed at ensuring compliance of financial, economic and other activities with applicable legal requirements. The system is represented by the following bodies: Inspection Committee, Audit and Risks Committee, Internal Audit Service.

### Inspection Committee

The annual General Meeting of Shareholders elected inspection Committee on May 30, 2019 (Minutes No. 7 dated June 4, 2019). In accordance with the Federal law On Joint-Stock Companies and the Company's Charter, the competences of the Audit Committee include:

- inspection (audit) of financial and economic activities of the Company;
- verification of the data contained in the annual report, annual accounting (financial) statements of the Company;
- verification of compliance with the accounting (financial) reporting procedures established by legal acts of the Russian Federation, as well as requirements for organizations engaged in financial and economic activities.

### Audit and Risk Committee

The Committee is a permanent collegial advisory body that reports to the Board of Directors. The Audit and Risk Committee was reorganized from the Risk Management Committee by a decision of the Board of Directors on August 14, 2018 (Minutes No. 7 dated August 14, 2018).

#### Tasks of the Committee

The main task of the Committee is to assist the Board of Directors in the evaluation of:

- procedures for the monitoring of Company's compliance with the requirements of the legislation of the Russian Federation and regulatory authorities in the field of financial reporting;
- performance of the external auditor;
- performance of internal control and risk management systems;
- aggregated risk appetite of the Company, including the relevance of accepted risks;

and also:

- monitoring of key risk factors that affect the Company's aggregated risk appetite;

- maintaining the effective functioning and continuous improvement of the risk management system (including the processes of identification, assessment, management, monitoring and control of risks);
- monitoring of compliance of the risk management system with regulatory requirements.

#### Meetings

Four meetings were held in 2019. Issues of internal control and risk management, development of regulatory and procedural documents, risks associated with key accounts, preparation of the Company reports, new revision of the Risk Management Policy, as well as preparation of reports on the Committee operation were discussed.

## Key areas of activity

### Financial statements

- Analysis of interim and annual financial statements, the results of its audit (review) by an external auditor and providing relevant opinion to the Board of Directors;
- assessment of compliance of the reports made by the Company, as well as of the reporting procedure and terms with the standards and requirements of applicable legislation and providing relevant opinion to the Board of Directors;
- control over ensuring the completeness, accuracy and reliability of the Company's accounting (financial) statements and consolidated financial statements.

### Internal control, corporate governance and risk management

- analysis of the Company's internal control system, control methods and procedures;
- monitoring of reliability and effectiveness of the risk management system, internal control and corporate governance system, including assessment of efficiency of the Company's risk management and internal control methods, procedures, and corporate governance practices, and preparation of proposals for their improvement;
- analysis and evaluation of the implementation of the Company's Risk Management Policy, Internal Control Policy and Company's Strategy;
- analysis and evaluation of the Company's Conflict Of Interest Management Policy.

### Internal audit

- Ensuring the independence and objectivity in the fulfilment of internal audit;
- analysis and evaluation of the efficiency in the fulfilment of internal audit.

### External audit

- Assessment of the independence, objectivity and absence of conflicts of interest of the Company's external auditors, including evaluation of candidates for the Company's auditors, development of proposals for the approval and removal of the Company's external auditors, payment for their services and conditions for their involvement;
- external audit supervision and quality assessment of the performed audits and auditors' reports;
- monitoring of compliance with the Company's information policy.

### Countering illegal actions

- Assessment and monitoring of efficiency of the reporting system for potential unscrupulous practice of the Company's employees and third parties, and other infringements in the Company;
- supervision of special investigations of potential fraud cases, dishonest use of insider or confidential information.

## Decision making

Decision-making is regulated by the Company's approved Regulation on Audit and Risk Committee. The decisions of the Committee are adopted by simple majority of the members of the Committee participating in the meeting (voting). The Chairperson shall have the casting vote if there is a tie.

Decision-making has either face-to-face or absentee voting format. When making decisions on the agenda of a face-to-face meeting of the Committee, the written opinions of absent members of the Committee are taken into account.

## Internal Audit Service

The Internal Audit Service is an independent division of Garant-Invest Commercial Real Estate (JSC). The Internal Audit Service is governed by the legislation of the Russian Federation, including the Constitution of the Russian Federation, applicable laws and other legal acts of the Russian Federation, including Bank of Russia regulations, as well as the Company's Charter, Corporate Governance Code, decisions of the Board of Directors, regulations and administrative documents of the Company. The Internal Audit Service operates in accordance with generally accepted practices and standards in the field of internal audit.

## Tasks of Internal Audit Service

The purpose of the Internal Audit Service is to assist governance bodies in ensuring the effective operation of the Company and its subsidiaries by monitoring of the internal control system, conducting audits, and providing independent recommendations to improve both financial performance and control procedures.

In accordance with the Regulation on the Company's Internal Audit Division approved by the Board of Directors on November 8, 2018 (Minutes No. 14 dated November 8, 2018), the tasks of the Internal Audit Service include:

- verification and evaluation of the adequacy and efficiency of the internal control system as a whole;
- verification of the efficiency and functioning of the management system for various types of risks, including on a consolidated basis;
- verification of the accuracy, completeness and timeliness of accounting and reporting;
- verification of compliance with the requirements of the legislation of the Russian Federation and other acts of regulatory and supervisory authorities;
- verification of adequacy and reliability of internal system of control over automated information systems;
- ensuring the unity of approaches to the organization of internal control in subsidiaries being part of the Company's structure/group, collection of information about its status and development of recommendations for the improvement.

## Evaluation of Committee's operation

The Board of Directors evaluates the activities of the Committee and its members annually, based on the results of the annual Committee's operating statement. In 2019, this report was reviewed and approved by the annual General meeting of shareholders on May 30, 2019.

## Risk management

Risk management is part of the corporate system of risk management and is regulated by the Risk Management Policy of Garant-Invest Commercial Real Estate (JSC), Risk Management Techniques and Principles of Environmental Management.

### Risk management process

The Company regularly addresses the management of environmental, social and economic risks. This activity is focused primarily on reducing technological and environmental risks, which, in turn, often trigger economic risks. Thus, we ensure a high level of commercial real estate operation and reduce the use of natural resources, and offer reliability to our tenants and visitors.

Risk management process begins with the identification and assessment of risks. In this regard, Garant-Invest Commercial Real Estate (JSC) has identified a list of four main risks associated with sustainability:

- Non-compliance with legal requirements;
- Negative environmental impact;
- Low efficiency of technical and engineering equipment;
- Injuries.

Risk assessment is an analysis of the extent, to which a potential event may affect the achievement of the Company's goals. Risks are assessed in terms of probability, frequency, and materiality, using a combination of qualitative and quantitative (for the assessment in monetary terms) methods. The level of risk significance is determined based on the combination of risk probability and materiality.

Thus, risk assessment helps identify the risks and their significance, which can considerably interfere with the achievement of the Company's goals and objectives in case of their negative impact; decisions on the management and control of such risks are beyond the capabilities or competence of the risk owners. The most significant risks are submitted to the Board of Directors and executive governance bodies, which make decisions on the way to manage and control them.

### Risk management structure

Risk significance level	Board of Directors	Executive governance bodies (sole executive body) and/or Audit and Risk Committee	Head of divisions
<b>Critical</b>	+	+	
<b>High</b>		+	
<b>Medium</b>		+	+
<b>Low</b>			+
<b>Minor</b>			+



**The company has defined approaches and methods of risk management:**

- Risk mitigation: reducing the potential impact (damage) from the implementation of the risk or the probability of its implementation, or both.
- Risk transfer: transfer of potential impact (damage) from the implementation of the risk to a third party (insurance, hedging, etc.).
- Risk acceptance: a method that does not involve the development of risk management measures. This method is used, where the level of risk before any mitigation measures does not have a significant impact on the Company's activity.
- Risk avoidance: refusal to perform any actions or activities that are inherently risky.

**Risk management measures in the Company are intended to reduce the impact of risk or reduce the likelihood of its implementation. Their purpose is to:**

- eliminate sources of risk;
- reduce the impact of risk sources;
- minimize (change) risk consequences;
- localize (restrict) risk impact;
- minimize the risk that is the reason for this risk;
- use a combination of the above actions.

Managers of the Company's divisions at all management levels are responsible for the development and implementation of risk management measures and their further monitoring. Heads of the divisions whose goals are directly affected by the risk in question are appointed as risk owners.

The Company's long-term financial results, sustainability and steady growth are influenced by the following factors:

attitude to the environment, staff competence, safety and labour protection, infrastructure and social projects, public relations and interaction with government authorities. The Company re-evaluates the identified risks annually in order to consider all risks in its activities.

## Key sustainability risks

Garant-Invest Commercial Real Estate (JSC) is aware of the responsibility for its contribution to the processes of climate change. The Company is currently working to identify climate risks and opportunities.

### SUSTAINABILITY RISKS

NON-COMPLIANCE WITH LEGAL  
REQUIREMENTS

NEGATIVE ENVIRONMENTAL IMPACT

USE OF INEFFICIENT ENGINEERING  
SOLUTIONS

LOW EFFICIENCY OF TECHNICAL AND  
ENGINEERING EQUIPMENT

INJURIES

## RISKS MITIGATION MEASURES

Regular audit of compliance of the Company's activities with all requirements of environmental legislation

Analysis of investment projects for compliance with environmental management principles

Implementation of procedures and regulations for each technology process

Training and certification of employees.

Development of the leachate collection and treatment system (contaminated water, air, waste entering the sewer)

Introduction of the separate waste collection system;

Use of local treatment facilities

Reduced use of natural resources

Development of infrastructure for alternative modes of transport

Choosing the appropriate location of the investment project away from any environmental facilities

Establishing long-term partnership with contractors

Bringing questions regarding the introduction of green technologies to the meetings of the Green Committee

Implementation of procedures and regulations for each technology process

Setting requirements to follow the instructions for the operation of equipment by authorized employees

Training and certification of employees

Setting requirements to follow the instructions for the operation of equipment by authorized employees

Implementation of occupational health and recreation procedures and rules

Training and certification of employees

Testing and monitoring of compliance with labour protection measures

Emergency drills

# Annexes

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# Делерея Аэропорт



## Key performance indicators for 2019

<b>OPERATIONAL PERFORMANCE</b>	Revenue in 2019, million roubles	2,874
	Footfall per year, million people	37
	Tenants	430
	Spaces leased, m <sup>2</sup>	4,860
	Including to multi-store retail companies and chain restaurants, %	86
	Long-term (10+ years) contracts, %	55
	Short-term (11 months) contracts, %	10
	Vacancy rate, %	3.6
<b>REAL ESTATE PORTFOLIO</b>	Gross market value, billion roubles	26.5
	Real estate development projects completed	18
	Owned buildings	15
	Including shopping centers	13
<b>ENVIRONMENTAL STEWARDSHIP</b>	Total water consumption, m <sup>3</sup>	132,979
	Discharged wastewater, m <sup>3</sup>	132,979
	Waste generated, t	1,157.6
	Waste transferred <sup>1</sup> to other economic entities for recycling, disposal and neutralization, t	70.1
	Waste transferred <sup>1</sup> to other economic entities for temporary collection and burial, t	699.1
	Electricity consumption, MW*h	31,237.9
	Heat consumption, Gcal	11,151
<b>SOCIAL ACTIVITIES</b>	Turnover, %	5.6
	Average payroll count, people	156
	Social events organized	72
	Active participants	23,019
	Social activities expenditure, million roubles	3.4

<sup>1</sup> Except for municipal solid waste.

# About the Report

This document is a report on the sustainability of Garant-Invest Commercial Real Estate (JSC) and its subordinated subsidiaries (collectively referred to as the Company in the report) for 2019 based on the information available from January 1 to December 31, 2019. The exception is the information about the BREEAM certification of Tulsy Mixed-use Center. The document provides information on economic performance, environmental impact, social contribution to the regions where we operate, corporate governance, and relationship with stakeholders.

The report is published for the first time in Russian and English for a wide range of stakeholders in electronic and printed formats.

The Company's annual report is available in "Investors" section of the official website:

<https://www.com-real.ru/investors>.

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<https://www.com-real.ru/investors>.

The Report also provides data on the Company's contribution to achieving the UN Sustainable Development Goals.

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## Disclaimer

This Report contains information on the results of the Company's activities for 2019, as well as forward-looking statements and estimates concerning financial, economic and social indicators that characterize further development of the Company. The occurrence and assessment of real events and their results may differ from forward-looking assumptions and estimates. The implementation of expectations and intentions is directly connected to the political, economic, social and legal situation in the Russian Federation and in the world and to the existing uncertainty in forecasting particular events. For this reason, the actual results of the Company's activities in the future may differ from the forward-looking statements, estimates and assumptions in the Report.

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