

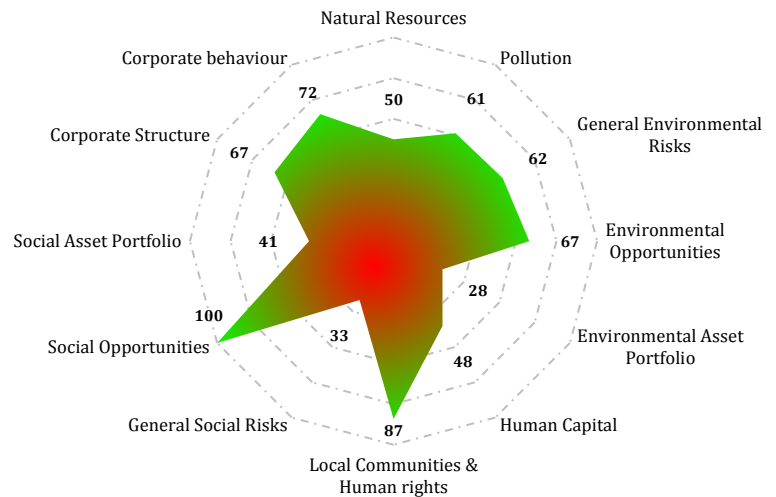
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Risk map



Ratings

Environmental	BB[e]
Social	BB[s]
Governance	A[g]
ESG	BBB[esg]

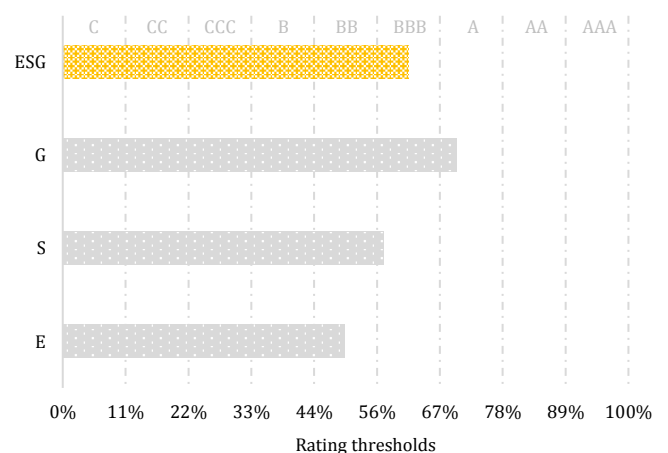
Summary

Rating-Agentur Expert RA GmbH assigned BBB[esg] ESG rating to the Credit Bank of Moscow (CBM), which means that the management of ESG related risks and opportunities is of Moderately high level. The ratings of each section are as follows: BB[e] environmental rating, BB[s] social rating and A[g] governance rating. The Bank has a strong Social and Environmental Management Policy against controversial financing and confirms the increasing importance of corporate social responsibility (CSR) in the business decision-making process. However, effectiveness of the newly implemented policies and regulations needs further confirmation and should be closely monitored.

ESG scorecard

Section	Sub-section	Weight	Score
Environment	Natural Resources	3.1%	50
	Pollution	3.8%	61
	Climate Change	NA	NA
	General Environmental Risks	4.4%	62
	Environmental Opportunities	2.5%	67
	Environmental Asset Portfolio	6.3%	28
Social	Human Capital	10.8%	48
	Local Communities & Human rights	5.4%	87
	General Social Risks	2.3%	33
	Social Opportunities	3.9%	100
	Social Asset Portfolio	12.4%	41
Governance	Corporate Structure	23.4%	67
	Corporate behaviour	21.8%	72

ESG score and rating per section



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Environment

Sub-factor	Score
Water Stress	53.3
Energy use	47.8
Waste management & recycling	88.9
Generation of contaminants	0.0
Extended product responsibility	50.0
Stakeholder engagement	83.3
Supplier chain	33.3
Renewable energy	33.3
Energy productivity	100.0
Environmental responsible investment	0.0
Environmental loan portfolio	55.6

Determined engagement of stakeholders in the decisions related to environmental questions

The institution was able to involve different stakeholders in strong cooperation in issues associated with environmental policies and reporting. The parties involved are mainly senior management and the executive members of the board, as environmental officers or coordinators on the one side, and clients (borrowers) on the other, as providers of the information. In our opinion, getting middle management and other employees involved in the development of new policies could improve our assessment in regard to stakeholder engagement.

Waste management and recycling policies are in place and performance in this area is satisfactory

The institution shows strong commitment to encourage a responsible attitude towards waste generation. More importantly, it has a proven record of recycling and decontamination practices of several types of waste such as, paper, mercury lamps and fat waste from grease traps.

Environmental standards on loan portfolio aimed to control controversial funding

According to the Social and Environmental Management Policy from 2016, in addition to the financial agreement, every borrower is required to confirm that its operational activity is not on the EBRD Environmental Exclusion List and is within the environmental, health and safety requirements of the Russian Federation. Moreover, the bank assigns an appropriate risk category to the borrowers and conducts regular review with respect to Social and Environmental standards compliance and presents an aggregated report to EBRD on an annual basis. Such approach allows the bank to mitigate the risk of financing controversial industries. The final score of the factor is slightly deteriorated by the lack of significant share of green or social allocation of the loan portfolio and commitment to report such performance.

Environmental responsible investment is currently lacking

The current environmental policy does not reflect sufficient encouragement to invest in environmentally friendly assets and the share of such category in the investment portfolio is immaterial.

Moderate level of water and energy use

CBM confirmed a declining trend of energy use and water use per employee; however, the reasons of improved water efficiency are yet to be verified.

List of major controversies

Controversy	Type of factor
No controversies were found	Environmental

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Social

Sub-factor	Score
Labour Practices	43.3
Occupational health & safety (OHS)	83.3
Talent Attraction & retention	16.7
Diversity & inclusion	66.7
Social benefits	70.0
Corporate social responsibility (CSR)	100.0
Human rights	90.5
Suppliers chain	33.3
Access to finance	100.0
Social responsible investment	0.0
Social loan portfolio & financial inclusion	52.8
Financial product responsibility	66.7

The bank has more than enough tools to quickly attract funds from the market

The opportunities for Russian businesses to access finance are considered as moderate. However, CBM has confirmed and demonstrated its ability to raise additional liquidity in the domestic and international capital and money markets. The institution does not face any obstacles to generate the resources required to operate and expand its business. We consider that the bank exploits the opportunity to access finance in a substantial manner.

The corporate social responsibility (CSR) approach in terms of goals and actions supports the bank's reputation

The CSR main activities are key elements of CBM's business policy, which is focused on stimulating economic growth while improving social welfare in the country. The institution offers a range of sustainable products such as social mortgages, as well as loans to small and medium enterprises and individual entrepreneurs. Moreover, the bank participates in the Russian export support program. In addition, employees of the bank are often engaged in large and significant social, as well as environmental events. In 2019, CBM published its first sustainability report prepared in accordance with the Global Reporting Initiative (GRI) Standards, where the CSR indicators were documented.

The financial product responsibility of CBM is assessed as moderate

The bank has implemented reasonable policies in order to advance client relationship management practices during the sales stage as well as post sales stage by using a more individual approach with the customer and providing informational and technical support when needed. The bank also shows a significant level of transparency regarding its product offering on the website and it aims to ensure that those products are beneficial for the clients. Nevertheless, there is room for improvement in the area of customer claims and conflicts resolutions in order to decrease the amount of legal incidents against the bank and costs arising from such incidents.

The assessment in terms of human capital was contrasting for CBM

The institution has developed satisfactory career development policies for employees, as well as an adequate recognition and motivation system. The bank also provides good training opportunities and above the law social benefits to its employees. Despite such commitment, and even though the bank recently started to implement internal employee satisfaction assessments, the topic is still in the testing phase and internal reporting on the matter has not yet been issued. This had a slight negative effect on the assessment of the talent and retention factor.

Finally, diversity and inclusion were assessed as moderately positive. The bank has good gender diversity ratio and has implemented policies against any kind of discriminations.

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- **Enforcement of human rights generally impacted the score positively**
 The Agency can confirm that the bank has initiatives to prevent discrimination, unequal pay for equal work, as well as initiatives to encourage sufficient rest and leisure for employees. However, the presented information regarding support or attention to clients in financial distress was found to be insufficient.
- **Social responsible investment and social loan portfolios account for a marginal share of the bank’s assets**
 CBM invests in a variety of projects and programs that are beneficial for local communities. Also, as previously mentioned, the bank participated in the issuance of some social loan products such as mortgages. However, the strategy of involvement on responsible investments and social loans is currently in the development stage and it is currently not possible to assess the aggregated level of reporting and to audit the performance of this strategy.

List of major controversies

Controversy	Type of factor
No controversies were found	Social

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Governance

Sub-factor	Score
Board structure & transparency	83.3
Ownership	55.6
Risk management	66.7
Business ethics	80.6
Anti-competition practices	33.3
Tax payment & transparency	100.0

Board structure is adequate and transparent

The size of the board is considered as satisfactory and stable as transparency is favorable in terms of its composition, independence, stability and remuneration. The board has three independent board members and all members are considered to have sufficient qualifications to perform the job at hand. The bank also regularly updates information on its website in regard to the corporate governance system, general shareholders meetings, members of the supervisory board and other material facts relevant to the corporate governance transparency.

Business ethical standards are maintained

The Bank performs its activity according to their established Code of Ethics which regulates all the principles of corporate behavior and business ethics norms. The Code also covers essentials in regard to cases of corruption in the banking industry, bribery and trading with insider information.

Ownership structure represents stability

Owners are publicly disclosed and changes are regularly updated. However, there are several links with offshore companies in the corporate structure of the bank.

Company Risk Management system is adequate

The bank has developed and successfully implemented a good number of risk management policies to manage all types of financial, operational and cybersecurity risks. Moreover, CBM regularly estimates and reports risk indicators and provides regular training for its employees on anti-money laundering and counter-terrorism financing, as well as on regulatory (compliance) risk management issues. Moreover, the bank has high policy standards regarding data protection and payment security systems. The score on this factor could be higher once the Agency obtains additional information to assess the performance of financial risks.

List of major controversies

Controversy	Type of factor
No controversies were found	Governance

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Minute's summary:

The rating committee for ESG rating of the Credit Bank of Moscow was held on 23 October 2019. The quorum for the rating committee was present. After the responsible expert presented the factors, which influenced the rating assessment, the members of the committee expressed their opinions and suggestions within the framework of the ESG methodology for regions. The chairman of the rating committee ensured that every member of the committee expressed his/her opinion before proceeding to the voting.

The following methodology was used for the rating assessment: ESG Corporate Methodology - Version 3 (from September 2019) can be found under the following link: https://raexpert.eu/files/Methodology_ESG_Corporates_V3.pdf. Descriptions and definitions of all rating categories can be found under the following link: https://raexpert.eu/esg_corporate/#conf-tab-4 under the "Rating scale" section. The user of the rating shall read the methodology in order to have a full understanding of the rating procedure.

These rating is solicited. The rated entity participated in the rating process.

Main sources of information: Internal regulations, policies, financial statements and other reports provided by Credit Bank of Moscow, public sources of information.

Limits of the Rating

During the rating assignment process, Rating-Agentur Expert RA GmbH (the Agency) used publicly available information that was considered to be reliable, complete and non-biased. The responsible expert performed the rating assessment of the region with information considered as the most reliable and up to date in accordance to the overall position of the region and the Agency's internal criteria for selecting data providers. The information and data used for this specific assessment can be considered as of sufficient quality.

Regulatory use

ESG ratings are not considered as credit ratings within the framework of Regulation (EC) No 1060/2009.

Conflict of interest

The responsible expert was neither influenced nor biased by third parties during the rating assessment. All employees involved in the rating assessment and revision of the rated entity have reported absence of conflicts of interests before initiation of the rating process.

Rating-Agentur Expert RA GmbH is completely independent from the activities of other agencies of the RAEX group.

Risk warning

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Office responsible for preparing the rating

The office responsible for the preparation and issuance of this rating is the office of Rating-Agentur Expert RA GmbH in Frankfurt am Main, Germany.

Rating-Agentur Expert RA GmbH is a credit rating agency established in Germany and therefore shall comply with all applicable regulations currently in force in the European Union.

The European Securities and Markets Authority (ESMA), the EU's direct supervisor of credit rating agencies (CRAs), has registered Rating-Agentur Expert RA GmbH as a CRA under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, with effect from 1 December 2015.

Rating-Agentur Expert RA GmbH applies the Code of Conduct Fundamentals for credit rating agencies issued by the International Organization of Securities Commissions (IOSCO Code) and includes the basic principles of IOSCO Code in its Code of Conduct.

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