



Sustainability Strategy

2021-2023

Credit Bank of Moscow (MKB)



Address of the Chairman of the Strategy and Sustainable Development Committee of the Supervisory Board

Commitment to the sustainability principles is a cornerstone of the solid foundation underlying MKB's development strategy.

A united and professional ESG team, well-designed infrastructure, support to ESG initiatives by both senior management and staff, an ambition for innovative solutions – all this is reflected in our achievements and allows MKB to be a sustainable financing leader in the Russian market.



Our Sustainability Strategy is based on the work done side-by-side by numerous internal teams, who, with professional support from in-house ESG experts, identified key areas in our operations where we can produce meaningful positive effects for the society and environment or minimise our adverse impact. Their work translated into specific sustainable development goals which we are ready and intend to achieve in the indicated period, given both the allocated financial and human resources and the chosen strategic ESG development direction across all business lines and supporting functions.

We want the Sustainability Strategy not only to serve as our key top-level ESG guidelines and to be communicated to all our stakeholders, but also to get effectively integrated into our internal processes and business lines. That is why earlier this year we presented the MKB's overall development strategy 2023, already integrating the most important ESG goals.

We have made sure that our sustainability strategy not only addresses the external challenges and underpins our competitiveness, but also enhances our contribution to the creation of a better future for new generations.

Andrew Sergio Gazitua
Chairman of the Committee

Current ESG Achievements and Initiatives

1

among banks in RAEX Europe's ESG ranking of Russian companies, June 2021¹, First Russian bank to get ESG rating

27

among non-state Russian companies in corporate transparency ranking

top-20

among Russian companies in National Corporate Governance Index

MKB is among top 5 most advanced Russian banks in terms of sustainable development²



Leading positions in international capital market, access to foreign "green" investors and lenders and ability to raise foreign funding for "green" projects. Access to international sustainability expertise through our shareholder, EBRD.



5 international independent directors with vast experience in promoting ESG development, and EBRD representative acting as ambassador of ESG principles. Active Sustainable Development Workgroup, senior managers acting as social and environmental officer and coordinator.



In-house Sustainable Development Division with balanced team of relevant experts whose background includes big infrastructure projects and leading international sustainability and responsible financing consultancies.



Constantly improving internal practice of sustainable development, established ISO-compliant integrated management system policy, elements of S&E risk management system based on EBRD's and IFC's standards.



Vast experience of working with environmental NPOs, ESG agencies and international financial institutions as some of global leaders in sustainable development. Membership³ in Climate-Aligned Finance Working Group formed by six global banks: Citi, Goldman Sachs, ING, Societe Generale, Standard Chartered, UniCredit.



Successful execution of sustainable projects and initiatives: co-arranging first-in-Russia perpetual "green" bonds and social eurobonds, supporting customers' socially and environmentally relevant projects, launching unique retail products (for pensioners, TrashBack project, etc.) and many more.

¹ According to RAEX-Europe

² According to survey "Responsible Finance Practice in the Russian Banking Sector 2020" by WWF, European University in Saint Petersburg and Analytical Centre National Rating Agency

³ As an expert observer and reviewer

MKB's Mission and Global Sustainable Development Agenda Commitment

MKB's mission

to exemplify sustainable development principles for our customers and partners, to be guided by social and environmental responsibility principles, and to be based on best national and international corporate governance practices.

ESG

Endorsement of UN's Sustainable Development Goals

MKB endorses global sustainable development agenda and aligns its operations with 17 Sustainable Development Goals (SDGs) adopted by UN General Assembly.

Taking into account the specific nature of its business, MKB focuses on, and integrates into its sustainability strategy, 6 priority SDGs where its contribution may be most significant.



☐ – priority UN SDGs

Compliance Obligations and Endorsed Practices of Sustainable Development

MKB undertakes to comply with applicable requirements of social, environmental and energy laws, seeks to comply with international treaties and conventions. National and international principles, standards and documents MKB adhere or refer to include:

Principles

- Principles of UN Global Compact
- Principles for Responsible Banking, UNEP FI
- Equator Principles (2013, 2020)
- Green, Social and Sustainability-Linked Loan Principles, LMA
- Green, Social and Sustainability-Linked Bond Principles, ICMA
- Bank of Russia's Principles for Responsible Investment

Standards and Policies

- IFC Performance Standards on Environmental and Social Sustainability
- EBRD Environmental and Social Policy (2014, 2019)¹
- Global Reporting Initiative Standards (GRI)
- International standards ISO 26000:2010, ISO 14064:2018, ISO 14001:2015, ISO 50001:2018, ISO 45001:2018
- Greenhouse Gas Protocol

Taxonomies, Guidelines & Methodological Recommendations

- EU Taxonomy For Sustainable Activities, Technical Expert Group (TEG) on Sustainable Finance
- Climate Bonds Taxonomy, CBI
- Climate Transition Finance Handbook, ICMA
- Guidelines for National Greenhouse Gas Inventories, IPCC
- National taxonomies and methodological recommendations, VEB RF
- Basic performance indicators. Recommendations on use in practical management and non-financial corporate reporting, RSPP



¹ MKB adheres to EBRD Environmental and Social Policy 2014 and has taken note of its updated 2019 version

Key Strategic Areas



Managing direct impact

MKB undertakes to operate with due diligence, seek to avoid and prevent or, where impossible, mitigate direct adverse environmental and social impacts. The Bank refers to the best standards of corporate governance and business ethics.

Managing indirect impact

MKB makes every effort to incorporate social and environmental principles into its operations and services, as well as to introduce the responsible product offering concept in order to amplify its positive impact on the environment and promote the socio-economic development of the society and local communities.

Voluntary initiatives

To achieve the fullest positive environmental and socio-economic effect, MKB carries out philanthropic and charitable activities unrelated to its core banking activities and results.

Stakeholder engagement and transparency

MKB cooperates with its stakeholders and respects their interests, needs and expectations in making decisions and in achieving sustainability goals and tasks, and seeks to promote sustainability principles among them. The Bank adheres to the principle of transparency, on a regular basis analyses its performance and prepares ESG reporting, that is done in compliance with international and reporting standards and assured by independent auditor. We constantly seek to improve the quality of our ESG reporting.

Managing Direct Impact

To guide others, one needs to start with building responsible approach in one's own business. We seek to improve our approaches to managing our environmental and socio-economic impacts, with due regard to stakeholders' needs and expectations. We measure our own environmental and social impact, seek to improve approaches to manage our direct environmental, social and economic influence and set goals helping to make sure future generations will have decent opportunities.

Develop and certify integrated management system in the field of environmental and social protection, occupational health and safety, energy efficiency and energy saving (IMS)



- 01** Implement processes and develop documents as required by International Standards ISO 14001, ISO 45001, ISO 50001
- 02** Implement processes and develop documents as recommended by ESG agencies and international credit institutions



- 03** Certificate IMS under ISO 14001, ISO 45001, ISO 50001
- 04** Extend IMS scope on subsidiaries and controlled companies

Assess and manage impact on climate



- 01** Quantify GHG emissions and develop action plan to manage GHG emissions
- 02** Assess climate risks and disclose information pursuant to TCFD recommendations

Managing Direct Impact

Initiate "Green Buildings" concept implementation¹



01 Bring largest owned² offices in line with requirements of Russian EcoGreenoffice standard

02 Get EcoGreenoffice Certificate



Digitise external business processes



01 **95%**
of retail services to be available online

02 **75%**
of credit transactions to be executed electronically

03 **15%**
annual reduction of non-digital services

¹ only possible in owned offices as it may require constructive alterations

² 3 largest offices by floor area owned by MKB as at 2021

Managing Direct Impact

Introduce innovations



- 01** Develop at least 10 new products for MKB's internal subdivisions and external customers upon participation in startup accelerators



- 02** Individual's digital profile;
Digital Mortgage;
Digital Bank Guarantees;
Digital Factoring;
C2B Fast Payment System;
Cross-border transfers;
OpenAPI. Transfer of individuals' and entities' account information

Improve waste management practices (1/2)



- 01** Get statement of conformity to waste management requirements for largest owned offices¹ from independent auditor

- 02** **100%** Recycle of waste and spent office paper² in at least 3 regions of presence

- 03** Implement separate waste collection practices in all of MKB's offices and branches in Moscow, Moscow Region and Saint Petersburg

- 04** Reduce amount of purchased office paper compared to 2019 by at least

30%

- 05** Finalize migration of all of MKB's offices and branches to electronic document flow

¹ 13 largest offices by floor area owned by MKB as at 2021

² subject to special treatment of confidential documents

Managing Direct Impact

Improve waste management practices (2/2)



06

at least
15%

of back office processes
to be robotised (RPA)

07

66%

Of end-to-end processes
to be digitised

08

at least
70%

Of all cards issued in 2023 to
be digital

09

Abandon use of disposable plastic tableware and cutlery in all of MKB's offices and branches

10

at least
95%

Of all plastic cards issued in 2023 to be made of recycled plastic

Expand MKB's positive social impact and develop
ESG products



01

at least
200 thousand

of active pension cards

02

at least
40%

growth of SME guarantee
portfolio

03

RUB **15** bln.

product portfolio to be generated
for financing marketplace
suppliers

Managing Direct Impact

Improve water use practices



- 01** Use cleaning agents which meet sanitary, epidemiological and hygienic requirements in all of Bank's premises



- 02** Reduce absolute water consumption in Bank's owned buildings³ by **36%**

Reduce energy consumption



- 01** by at least
30%

Reduce absolute electrical energy consumption in Bank's owned buildings³ compared to 2019

- 02** Reduce absolute heat energy consumption in Bank's owned buildings³ compared to 2019

by at least
23.5%

³ Owned as at 31.12.2019

Managing Direct Impact

Raise employee awareness of sustainability issues



- 01 Train employees to respect human rights
- 02 Train employees in ensuring and maintaining diversity of staff
- 03 Ensure that employees are aware of concept of responsible consumption resource efficiency, separate waste collection and climate change issues. Regularly inform employees on MKB's progress in sustainable development



Improve approaches to attracting young professionals



- 01 Ensure that at least 14 students take internship under MKB Universe programme in 2021

Increase employee engagement and satisfaction



- | | | |
|--|---|---|
| 01
85%
Target level for employee engagement rate | 02
top-10
Become one of the most attractive employers among Russian banks | 03
at least 5
Wellbeing concept events for employees to be conducted annually |
|--|---|---|

Managing Indirect Impacts

Being a bank, MKB influences economy, society and environment through financing its customers and interacting with suppliers and contractors. Such impact is indirect and may exceed the significance of the direct one in some cases. We recognize the level of our responsibility to environment and society, implement and develop practices that let us reduce negative and enhance positive indirect impact.

Manage customer environmental and social impact



- 01** Determine environmental and social impacts of **100% of borrowers**⁵
- 02** Assist **100% of borrowers**⁵ to reduce their environmental and social impacts by developing managerial documents as well as assist companies in identifying areas of sustainable finance, potential for enhancing environmental performance and/or identifying sustainable development projects in their activities, including assessment of their performance
- 03** Motivate borrowers to reduce their environmental and social impact by offering specialized products such as Sustainability-linked loans and ESG-linked loans
- 04** At least **RUB 100 bln** – total volume of eligible projects and investments which have been implemented with MKB's support (cumulative total since beginning of 2021)
- 05** Prepare reports on results of calculating loan portfolio carbon footprint and respective mitigating actions
- 06** Prepare reports on results of calculating loan portfolio environmental footprint and respective mitigating actions

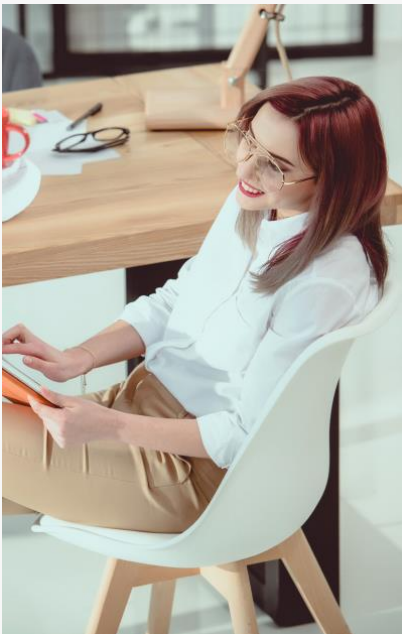
⁵ For which it is necessary in accordance with the internal manual of MKB, taking into account the transition period in 2021

Managing Indirect Impacts

Ensure sustainable supply chain



- 01** Make decisions on selection of suppliers and contractors, taking into account their social and environmental responsibility



- 02** Determine environmental and social impact level for 100% of selected suppliers and contractors with material environmental and social aspects (based on results of the audit conducted by MKB)

- 03** Assist 100% of selected suppliers and contractors with material environmental and social aspects in reducing their environmental and social impact (if necessary)

Voluntary Initiatives

Our own voluntary initiatives address specific environmental and social issues, supporting people who need help and protecting environment. We want to set example inspiring others to deal with urgent environmental and social problems. Our goal is not only to provide support within our powers, but also to foster responsible environmental and social culture both among our staff and within our society as whole.

Participate in solving urgent environmental problems



01 Implement **at least 5** environmental initiatives annually

Enhance level of children education



01 Educate **100 children** under Arifmetika Dobra's Chance project annually



Stakeholder Engagement and Transparency

Achievement of the goals set to manage direct and indirect impact of MKB is unavailable without transparent dialogue with stakeholders. That is why we constantly improve channels of internal and external communication, strive to get and timely take into account feedback from stakeholders as well as disclose information regarding their demands and expectations.

Raise external stakeholders' financial literacy and awareness in responsible financing and investment



- 01 Regularly publish training/reference materials on responsible financing and investment in MKB's mobile application, social networks, etc.
 - 02 Implement programmes to improve financial literacy of people as part of partnership with Pension Fund of the Russian Federation
-

Improve ESG reputation and transparency of operations



- 01 Improve ESG rating scores
- 02 Annually increase disclosed and assured indicators with Sustainability Report
- 03 Expand ESG rating coverage

